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City and County of San Fran

Meeting Agenda

Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, January 07, 2004 | **12:30 PM** | **City Hall, Room 263**

Regular Meeting

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Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

CONSENT AGENDA

All matters listed hereunder constitute a Consent Agenda, are considered to be routine and will be acted upon by a single roll call vote of the Committee. There will be no separate discussion of these items unless a member of the Committee or the public so requests, in which event the matter shall be removed from the Consent Agenda and considered as a separate item.

1. **031845** **[Accept-Expend Regional Grant]**

Resolution authorizing the Airport Commission to accept and expend two (2) grants totaling $248,000 from the Bay Area Air Quality Management District (Air District) for acquisition of clean air vehicles by Airport transportation operators. (Airport Commission)

(No Public Benefit Recipient.)

11/10/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

2. 031910 **[Contracting out Janitorial Services]**

Resolution concurring with the Controller's certification that janitorial services can be practically performed at the Permit Center at 1660 Mission Street and at 25 Van Ness Avenue by private contractor for lower cost than similar work services performed by City and County employees. (Real Estate Department)

(Public Benefit Recipient.)

12/8/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

3. 032011 **[BART Payment for MUNI Transfer Trips]**

Resolution approving an Agreement between the City and County of San Francisco (the "City") and the Bay Area Rapid Transit District ("BART") authorizing payment to the Municipal Transportation Agency ("MTA") for transfer trips provided by the Municipal Railway in FY 2003-2004. (Municipal Transportation Agency)

(No Public Benefit Recipient.)

12/11/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

4. 031808 **[Prevailing Wage Rates]**

Resolution fixing prevailing wage rates for workers performing work under City contracts for public work and improvement; workers performing work under City contracts for janitorial services; and workers in public off-street parking lots, garages, or storage facilities for automobiles on property owned or leased by the City. (Civil Service Commission)

(No Public Benefit Recipient.)

10/31/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

REGULAR AGENDA

5. 031609 **[Authorizing an alternative procedure for establishing property and business improvement districts]**

Supervisor Peskin

Ordinance amending Article 15 of the Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessment; authorizing such districts to be formed for a term of up to 20 years; authorizing such districts to encompass and assess residential property, and repealing Sections 1513 through 1591.

9/23/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

12/10/03, CONTINUED. Heard in Committee. Speakers: Gwen Kaplan, Small Business Commission; Harvey Rose, Budget Analyst; David Greenburg, Deputy City Attorney; Linda Mjellem, NOMNIC; David Overdorf; Shawn Collins; Elaine Zamora, NOMNIC; Teresa Garcia, MEDA; Jose Corona, MEDA; Philip Lesser, Mission Merchants Association; Luis Grandos, MEDA; Richard Allman; John Malloy, Lower Polk Neighbors; Ken Cleaveland, BOMA; Jeffrcy Leibovitz Continued to 1/7/04.

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6. 031988 **[Interdepartmental Transfer - Block 2870, Lot 48]**

Supervisor Dufty

Ordinance transferring jurisdiction of the real property identified as Assessor's Block 2870, Lot 48, from the Department of Public Works to the Recreation and Park Department; adopting findings that the transfer is consistent with the General Plan and section 101.1 of the Planning Code, and requesting official actions in connection with this Ordinance.

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

7. 031598 **[First Amendment to Lease of SFPUC Property for Operation of a Public Golf Course and Related Facilities]**

Resolution authorizing a First Amendment to Lease of Public Utilities Commission Land between the City and County of San Francisco and Crystal Springs Golf Partners, L.P., in San Mateo County. (Public Utilities Commission)

(Fiscal impact; Public Benefit Recipient.)

9/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

8. 031902 **[Reserved Funds, Emergency Communications Department]**

Hearing to consider release of reserved funds, Emergency Communications Department fiscal year 2003-04 Budget, in the amount of $48,959, to fund the 0922 Manager 1 position responsible for managing the False Alarm Prevention Program. (Emergency Communications Department)

11/19/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

9. 031871 **[Appropriate Zygmunt Arendt Fund for the Purchase and Renovation of Property Located at 850 Broderick Street]**

Mayor

Ordinance appropriating $3,800,000 of Zygmunt Arendt funding for building purchase and renovation of property located at 850 Broderick Street. Detail includes $3,120,000 for purchasing and closing costs of the property and $680,000 for renovation and maintenance for the Department of Human Services for Fiscal Year 2003-04.

(Fiscal impact.)

11/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Sponsor requests this item be scheduled for December 3, 2003 meeting.

10. 031887 **[Agreement to Purchase 850 Broderick Street]**

Mayor

Resolution approving and authorizing an agreement for the purchase of real property located at 850 Broderick Street to house low-income people for a purchase price of $3,100,000; adopting findings that the conveyance is exempt from Environmental Review and is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents, making certain modifications and take certain actions in furtherance of this resolution.

(Fiscal impact; Companion measure to File 031871.)

11/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee Sponsor requests this item be scheduled for consideration at the December 3, 2003 meeting.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Finance and Audits Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

031990 **[Business Tax]**

Supervisor Ma

Ordinance amending the Business and Tax Regulations Code to: (1) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) conform Article 12-A (Payroll Expense Tax Ordinance) with the amendments to Article 6 (Common Administrative Provisions) and (ii) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to Article 12-A (Payroll Expense Tax Ordinance) and other Articles of the Business and Tax Regulation Code, and place them in Article 6 (Common Administrative Provisions); (2) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 6 (Common Administrative Provisions); and (3) amend Article 6 (Common Administrative Provisions) to (i) clarify common administrative provisions and conform them with amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 12 (Business Registration Ordinance), (ii) consolidate exemptions, definitions and other administrative provisions that apply to Article 12-A (Payroll Expense Tax Ordinance), Article 12 (Business Registration Ordinance) and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review.

12/9/03, ASSIGNED UNDER 30 DAY RULE to Finance and Audits Committee, expires on 1/8/2004

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language translation at a meeting must be received no later than noon the Friday before the meeting. Contact Ohn Myint at (415) 554-7704.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 *必須在會議前最少四十八小時提出要求*
請電 (415) 554-7701

Disability Access

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

All meetings are real-time captioned and are cablecast open-captioned on SF Cable 26.

The following services are available when requested 48 hours before the Committee meeting. This advance notice will help ensure availability.

- For American Sign Language interpreters or use of a reader during a meeting, contact Ohn Myint at (415) 554-7704.
- For a large print copy of agenda or minutes in alternative formats, contact Annette Lonich at (415) 554-7706.
- Assistive listening devices are available from the receptionist in the Clerk of the Board's Office, Room 244, prior to the meeting.
- The Clerk of the Board's Office TTY number is (415) 554-5227.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org

Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

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City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, January 07, 2004 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

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7/04

MEETING CONVENED

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The meeting convened at 12:37 p.m.

CONSENT AGENDA

All matters listed hereunder constitute a Consent Agenda, are considered to be routine and will be acted upon by a single roll call vote of the Committee. There will be no separate discussion of these items unless a member of the Committee or the public so requests, in which event the matter shall be removed from the Consent Agenda and considered as a separate item.

031910 **[Contracting out Janitorial Services]**

Resolution concurring with the Controller's certification that janitorial services can be practically performed at the Permit Center at 1660 Mission Street and at 25 Van Ness Avenue by private contractor for lower cost than similar work services performed by City and County employees. (Real Estate Department)

(Public Benefit Recipient.)

12/8/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

RECOMMENDED..

031845 **[Accept-Expend Regional Grant]**

Resolution authorizing the Airport Commission to accept and expend two (2) grants totaling $248,000 from the Bay Area Air Quality Management District (Air District) for acquisition of clean air vehicles by Airport transportation operators. (Airport Commission)

(No Public Benefit Recipient.)

11/10/03, RECEIVED AND ASSIGNED to Finance and Audits Committee

RECOMMENDED..

031808 **[Prevailing Wage Rates]**

Resolution fixing prevailing wage rates for workers performing work under City contracts for public work and improvement; workers performing work under City contracts for janitorial services; and workers in public off-street parking lots, garages, or storage facilities for automobiles on property owned or leased by the City. (Civil Service Commission)

(No Public Benefit Recipient.)

10/31/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

RECOMMENDED..

The foregoing items were acted upon by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

SEVERED FROM CONSENT AGENDA

032011 **[BART Payment for MUNI Transfer Trips]**

Resolution approving an Agreement between the City and County of San Francisco (the "City") and the Bay Area Rapid Transit District ("BART") authorizing payment to the Municipal Transportation Agency ("MTA") for transfer trips provided by the Municipal Railway in FY 2003-2004. (Municipal Transportation Agency)

(No Public Benefit Recipient.)

12/11/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Supervisor Peskin requested this item be severed so it could be considered separately.

SEVERED FROM COMMITTEE CONSENT AGENDA.

Heard in Committee. Speakers: Ann Carey, MUNI; Joe Speaks, Municipal Transit Authority; Kimberly White, BART; Bob Planthold; Bruce Oka; Jeanne Lynch.
Continued to 1/28/04.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

REGULAR AGENDA

031609 **[Authorizing an alternative procedure for establishing property and business improvement districts]**

Supervisor Peskin

Ordinance amending Article 15 of the Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessment; authorizing such districts to be formed for a term of up to 20 years; authorizing such districts to encompass and assess residential property, and repealing Sections 1513 through 1591.

9/23/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

12/10/03, CONTINUED. Heard in Committee. Speakers: Gwen Kaplan, Small Business Commission; Harvey Rose, Budget Analyst; David Greenburg, Deputy City Attorney; Linda Mjellem, NOMNIC; David Overdorf; Shawn Collins; Elaine Zamora, NOMNIC; Teresa Garcia, MEDA; Jose Corona, MEDA; Philip Lesser, Mission Merchants Association; Luis Grandos, MEDA; Richard Allman; John Malloy, Lower Polk Neighbors; Ken Cleaveland, BOMA; Jeffrey Leibovitz.
Continued to 1/7/04.

Speakers: None.
Continued to 1/28/04.

CONTINUED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

031988 **[Interdepartmental Transfer - Block 2870, Lot 48]**

Supervisor Dufty

Ordinance transferring jurisdiction of the real property identified as Assessor's Block 2870, Lot 48, from the Department of Public Works to the Recreation and Park Department; adopting findings that the transfer is consistent with the General Plan and Section 101.1 of the Planning Code, and requesting official actions in connection with this Ordinance.

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Jean Mirado; Jim Keith, Spiers Construction.
Continued to 1/28/04.

CONTINUED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

031598 **[First Amendment to Lease of SFPUC Property for Operation of a Public Golf Course and Related Facilities]**

Resolution authorizing a First Amendment to Lease of Public Utilities Commission Land between the City and County of San Francisco and Crystal Springs Golf Partners, L.P., in San Mateo County. (Public Utilities Commission)

(Fiscal impact; Public Benefit Recipient.)

9/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee

Heard in Committee. Speakers: Gary Dowd, SFPUC; Harvey Rose, Budget Analyst; Thomas Issak and John Telischak, Crystal Springs Golf Partners.
Continued to 1/28/04.

CONTINUED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

031902 **[Reserved Funds, Emergency Communications Department]**

Hearing to consider release of reserved funds, Emergency Communications Department fiscal year 2003-04 Budget, in the amount of $48,959, to fund the 0922 Manager I position responsible for managing the False Alarm Prevention Program. (Emergency Communications Department)

11/19/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Daniel Sullivan, Emergency Communications Department.
Release of reserved funds in the amount of $48,959 approved.

APPROVED AND FILED by the following vote:

Ayes: 2 - Peskin, Sandoval
Absent: 1 - McGoldrick

031871 **[Appropriate Zygmunt Arendt Fund for the Purchase and Renovation of Property Located at 850 Broderick Street]**

Mayor, Supervisor Sandoval

Ordinance appropriating $3,800,000 of Zygmunt Arendt funding for building purchase and renovation of property located at 850 Broderick Street. Detail includes $3,120,000 for purchasing and closing costs of the property and $680,000 for renovation and maintenance for the Department of Human Services for Fiscal Year 2003-04.

(Fiscal impact.)

11/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Sponsor requests this item be scheduled for December 3, 2003 meeting.

Heard in Committee. Speakers: Trent Rhorer and Dariush Kayhan, Department of Human Services; Cheryl Adams, Deputy City Attorney; Patricia Myers; Diana Valentine; Michelle Mascarenhas; Bruce Allison; Arla Ertz; Jennifer Johnson; Deidre Von Rock-Ricci; Peter Ricci; Don Chandler; Mark Swan; Mike Gowell; Obo Help; Anne Farrar; Winston Montgomery; Michael Haley; John Chamberlain; Alison Engel; Kirsten Marshall; Keeeth; Ralph Maltes; Jim de Tomasi; Paul Boden; Mel Beetle; Barbara Blong; Lolita Kintanar; John Melone; Holman Turner; Tim Dunn; Pamel Brennan; Eddie Coleman; Bruce Mitchell; Sherrie Matza; Jeff Giaquinto; Anne Marie Nemanich; Joe O'Donoghue.
Supervisor Sandoval requested to be added as a co-sponsor.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031887 **[Agreement to Purchase 850 Broderick Street]**

Mayor, Supervisor Sandoval

Resolution approving and authorizing an agreement for the purchase of real property located at 850 Broderick Street to house low-income people for a purchase price of $3,100,000; adopting findings that the conveyance is exempt from Environmental Review and is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents, making certain modifications and take certain actions in furtherance of this resolution.

(Fiscal impact; Companion measure to File 031871.)

11/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Sponsor requests this item be scheduled for consideration at the December 3, 2003 meeting.

Heard in Committee. Speakers: Trent Rhorer and Dariush Kayhan, Department of Human Services; Cheryl Adams, Deputy City Attorney; Patricia Myers; Diana Valentine; Michelle Mascarenhas; Bruce Allison; Arla Ertz; Jennifer Johnson; Deidre Von Rock-Ricci; Peter Ricci; Don Chandler; Mark Swan; Mike Gowell; Obo Help; Anne Farrar; Winston Montgomery; Michael Haley; John Chamberlain; Alison Engel; Kirsten Marshall; Keeeth; Ralph Maltes; Jim de Tomasi; Paul Boden; Mel Beetle; Barbara Blong; Lolita Kintanar; John Melone; Holman Turner; Tim Dunn; Pamel Brennan; Eddie Coleman; Bruce Mitchell; Sherrie Matza; Jeff Giaquinto; Anne Marie Nemanich; Joe O'Donoghue.
Supervisor Sandoval requested to be added as a co-sponsor.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 4:21 p.m.

[Budget Analyst Report]
Susan Hom
Main Library-Govt. Doc. Section

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

251
04

December 31, 2003

TO: Finance and Audits Committee

FROM: Budget Analyst

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SUBJECT: January 7, 2004 Finance and Audits Committee Meeting

Item 2 - File 03-1910

Department: Real Estate Division

Item: Resolution concurring with the Controller's certification that janitorial services can continue to be practically performed, at the City-owned Permit Center at 1660 Mission Street and at the City-owned 25 Van Ness Avenue facility occupied by various City Departments by private contractor for a lower cost than similar services performed by City and County employees.

Service to be Performed: Janitorial Services

Description: Charter Section 10.104.15 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies, and the Board of Supervisors concurs, that such services can in fact be practically performed by private firms at a lower cost than similar services performed by City and County employees.

The Controller has determined that contracting for the janitorial services at the City-owned Permit Center at 1660 Mission Street and at the City-owned 25 Van Ness

Avenue for FY 2003-2004 would result in estimated savings as follows:

1660 Mission Street

City Operating Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$160,215	$189,470
Fringe Benefits	40,705	43,043
Total	$200,920	$232,513
Contractual Service Cost	144,780	144,780
Estimated Savings	$56,140	$87,733

25 Van Ness Avenue

City Operating Service Costs	Lowest Salary Step	Highest Salary Step
Salaries	$241,300	$285,393
Fringe Benefits	61,136	64,659
Total	$302,436	$350,052
Contractual Service Cost	210,994	210,994
Estimated Savings	$91,442	$139,059*

*Rounded

Comments:

1. The 25 Van Ness building was acquired by the City in 1991. The Permit Center at 1660 Mission Street was acquired by the City in 1994. According to Mr. Allan Lucas of the Real Estate Division, these services were first certified as required under Proposition J, (Charter Section 10.104) in FY 1992-1993 for the 25 Van Ness building and in FY 1993-1994 for the Permit Center at 1660 Mission Street and have been continuously provided by outside contractors since that time.

2. Mr. Lucas reports that GMG Janitorial is the current janitorial services contractor for the 1660 Mission Street building and Excel Building Services is the current janitorial services contractor for the 25 Van Ness Avenue building. According to Mr. Luis Espinoza of the Office of Contract Administration—Purchasing Division, the original janitorial services contract at 1660 Mission Street with GMG Janitorial began on August 14, 1999 and ended on August 31, 2001. Mr. Espinoza reports that the contract has continued on a month-to-month basis since September 1, 2001 because a shortage in staff did not allow the Purchasing Division to issue a new Request for Proposals. According to Mr. Espinoza, the Purchasing Division is preparing to issue a Request for Proposals in January of 2004.

According to Mr. Espinoza, the original contract for janitorial services at 25 Van Ness Avenue with Excel Building Services began on January 15, 2000 and ended on December 31, 2001. Mr. Espinoza reports that the contract has continued on a month-to-month basis since January 1, 2002 because a shortage in staff did not allow the Purchasing Division to issue a new Request for Proposals. According to Mr. Espinoza, the Purchasing Division is preparing to issue a Request for Proposals in January of 2004.

3. The Contractual Services Costs used for the purpose of this analysis was developed from an estimate prepared by the current contractors.

4. The Controller's supplemental questionnaires with the Real Estate Department's responses for both the 25 Van Ness Avenue and the 1660 Mission Street buildings are shown in the Attachment to this report.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Administrative Services

CONTRACT SERVICES: Janitorial Service – 1660 Mission Street

CONTRACT PERIOD: January 1, 2004 to December 31, 2006

(1) Who performed the activity/service prior to contracting out? Ward's Building Maintenance, Inc has provided janitorial service beginning April 1, 1994, the date of initial building occupancy. Currently GMG Janitorial has doing the janitorial service at this building since November 1, 1996.

(2) How many City employees were laid off as a result of contracting out? None.

(3) Explain the disposition of employees if they were not laid off. Not applicable.

(4) What percentage of City employees' time is spent of services to be contracted out? None.

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out? Beginning April 1, 1994 – Ongoing.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year? 1993-94 – The Proposition J was recertified for FY 1996-97.

(7) How will the services meet the goals of your MBE/WBE Action Plan? Contract for FY 96-97 was awarded with H.R.C. approval.

(8) Does the proposed contractor provide health insurance for its employees? Yes, the current contractor provides health insurance for its employees..

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance? Yes, the current contractor does provide benefits to employees with spouses. Yes, the current contractor provides the same benefits to employees with domestic partners.

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance? Yes, the current contractor pay meets the provisions of the Minimum Compensation Ordinance.

Department Representative: Allan B. Lucas

Telephone Number: (415) 554-9864

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Administrative Services

CONTRACT SERVICES: Janitorial Service – 25 Van Ness Avenue

CONTRACT PERIOD: February 1, 2004 to January 31, 2007

(1) Who performed the activity/service prior to contracting out? Ward's Building Maintenance, Inc. janitorial service beginning July 1, 1992. Currently Excel Building Services has been doing the janitorial service at this building since October 1, 1996.

(2) How many City employees were laid off as a result of contracting out? None.

(3) Explain the disposition of employees if they were not laid off. Not applicable.

(4) What percentage of City employees' time is spent of services to be contracted out? None.

(5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out? Beginning July 1, 1992 – Ongoing.

(6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year? 1992 – 93. The Proposition J was recertified for FY 1996 – 97.

(7) How will the services meet the goals of your MBE/WBE Action Plan? Contract for FY 96 – 97 was awarded with H.R. C. approval.

(8) Does the proposed contractor provide health insurance for its employees? Yes, the current contractor provides health insurance for its employees.

(9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance? No, the current contractor does not provide benefits to employees with spouses. Not applicable since the current contractor does not provide benefits to employees with spouses..

(10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance? Yes, the current contractor pay meets the provisions of the Minimum Compensation Ordinance.

Department Representative: Allan B. Lucas

Telephone Number: (415) 554-9864

Item 3 – 03-2011

Department: Municipal Railway (MUNI)

Item: Resolution approving an Agreement for FY 2003-2004 between the City and County of San Francisco and the Bay Area Rapid Transit District (BART) authorizing payment by BART to the San Francisco Municipal Railway for BART patrons who utilize MUNI for linking up with BART.

Amount: $2,399,733

Description: The proposed resolution would approve an agreement between the City and BART for BART to reimburse MUNI an amount of $2,399,733 for FY 2003-2004. BART makes this payment to MUNI to compensate MUNI for the BART patrons who use MUNI for the purposes of linking up with BART. This BART payment of $2,399,733 for FY 2003-2004 to be paid to MUNI is $76,431 less than the BART payment of $2,476,164 made to MUNI for FY 2002-2003. According to Ms. Ann Carey of MUNI, these BART payments to MUNI accrue to MUNI's operating fund.

According to Ms. Carey, the proposed payments by BART to the City are mandated by the Metropolitan Transportation Commission (MTC). Attachment I, provided by Ms. Carey, explains the basis of the payment to be made by BART to MUNI for FY 2003-2004.

Comments: 1. Ms. Carey advises that BART has made annual payments to MUNI under agreements similar to the proposed Agreement since FY 1986-1987. Attachment II, provided by MUNI, contains a schedule of such annual payments made to MUNI by BART since FY 1990-1991.

2. According to Ms. Julia Friedlander of the City Attorney's Office, the proposed Agreement and previous similar agreements require approval by the Board of Supervisors in accordance with Charter Section 9.118(c) because they are revenue generating agreements in excess of $1,000,000 annually.

3. According to Ms. Carey, although MUNI has not yet accepted the subject BART FY 2003-2004 payment of $2,399,733, MUNI has included such payments in its FY 2003-2004 budget. Ms. Carey reports that the proposed FY 2003-2004 payment by BART to MUNI of $2,399,733 is $161,283 more than the $2,238,450 amount included in MUNI's FY 2003-2004 budget. According to Ms. Gigi Harrington of MUNI, this total surplus revenue of $161,283 would be used to pay for future MUNI operating expenditures.

4. The proposed Agreement contains a mutual indemnification provision which states that the City and BART agree to indemnify, save harmless and defend each other, each other's officers, agents and employees from legal liability of any nature or kind on account of any claim for damages to property or personal injuries to or death of person or persons to the extent that any such claims are caused by or result from, and in proportion to, the negligent acts or omissions or willful misconduct of the indemnifying party, its directors, officers and employees, unless such claims arise out of the sole negligence or willful misconduct of the party seeking indemnification or its directors, officers, agents and employees.

According to Mr. Errol Fitzpatrick, the City's Risk Manager, the additional risks to the City as a result of the mutual indemnification provision contained in the proposed Agreement are negligible, and Mr. Fitzpatrick has recommended approval of the mutual indemnification provision.

Recommendation: Approve the proposed resolution.

SAN FRANCISCO MUNICIPAL RAILWAY

FINANCE & ADMINISTRATION DIVISION – 875 Stevenson Street, Room 260, S.F., CA 94103
Telephone (415) 554-7941 Fax (415) 554-7606

MEMORANDUM

Date: December 16, 2003

To: Harvey Rose, Budget Analyst

From: Ann Carey, Financial Manager

Subject: Calculation of FY2004 Muni/BART Transfer Payment

Per your request, this memorandum provides an explanation of how the annual payment under the Muni/BART transfer agreement is calculated. The requirement for establishing the transfer payments between Muni and BART was determined within the context of the Regional Financial Plan. Under the Regional Financial Plan, each year's payment amount is based on the change in BART sales tax revenue in the previous two years.

Specifically, the FY2004 payment amount is the FY2003 payment amount adjusted by the percentage change in BART sales tax revenue for the two years prior to FY2004 (i.e., the percentage change between FY2002 and FY2003). BART sales tax revenues for FY2003 were 3.087% lower than FY2002 sales tax revenues. Therefore, the FY2003 payment amount of $2,476,164 will be reduced by 3.087% and the FY2004 payment will be $2,399,733.

If you have any questions concerning these calculations, please let me know.

cc: Anne Richman, MTA Executive Director's Office

TRANSFER PAYMENT HISTORY

Muni Transfer Payment History/ Calculation

Sales Tax Receipt FY	Sales Tax Rev	Sales Tax Net Change %	PMT Amount Net Change $	PMT FY	MUNI	Date Paid
					1,537,600	
1991	108,959,895			1992	1,562,100	
1992	105,492,711	-3.182%		1993	1,511,900	
1993	107,889,634	2.272%	34,352	1994	1,546,252	
1994	109,834,021	1.802%	27,867	1995	1,574,119	
1995	115,186,021	4.873%	76,704	1996	1,650,823	
1996	126,077,200	9.455%	156,090	1997	1,806,913	
1997	134,983,961	7.065%	127,650	1998	1,934,563	09/01/99
1998	144,190,692	6.821%	131,949	1999	2,066,513	04/19/00
1999	151,805,599	5.281%	109,135	2000	2,175,648	09/18/00
2000	170,911,394	12.586%	273,820	2001	2,449,471	08/22/01
2001	191,648,289	12.133%	297,197	**2002**	**2,746,668**	04/15/03
2002	172,773,943	-9.848%	(270,504)	**2003**	**2,476,164**	04/15/03
2003	167,440,932	-3.087%	(76,432)	**2004**	**2,399,733**	

~me00070.xls12/15/03

Kimberly White x4743

Item 4 - File 03-1808

Department: Civil Service Commission
Department of Human Resources

Item: Resolution fixing highest general prevailing wage rates for workers performing work under City contracts for (a) public works or capital improvement projects, (b) janitorial services, and (c) public off-street parking lots, garages and vehicle storage facilities.

Description: Administrative Code Section 6.22 requires that City contractors, which have been awarded contracts for public works or improvement projects, pay their employees the highest general prevailing wage rates. In addition, in May of 1999, the Board of Supervisors amended Section 21.25-1 of the City's Administrative Code to require that City contractors awarded contracts by the City to perform janitorial services at facilities owned or leased by the City, have a provision in the contract that requires the contractor to pay their employees who perform such janitorial services at wage rates that are not less than the prevailing rate of wages as determined by the Civil Service Commission and approved by the Board of Supervisors. In January of 2003, the Board of Supervisors further amended the Administrative Code by adding Section 21.25-2 to require workers employed in public off-street parking lots, garages, and vehicle storage facilities on property owned or leased by the City be paid the prevailing rate of wage.

Administrative Code Section 6.22 requires that the Board of Supervisors, at least once during each calendar year, fix and determine the highest general prevailing rate of wages, including the rate of wages for overtime and holiday work paid in accordance with the Charter Section 7.204. The proposed resolution would establish the highest prevailing rate of wages which City contractors are required to pay their employees for work performed under a City contract for work in construction, janitorial services or public off-street parking lots, garages, or vehicle storage facilities on property owned or leased by the City.

In accordance with Section 6.22 of the City's Administrative Code, to assist the Board of Supervisors in determining the highest general prevailing wage rates, the Civil Service Commission is required to furnish to the Board of Supervisors, on or before the first Monday of November of each year, applicable data as to the highest general prevailing rates of wages as paid by private employers in San Francisco. Section 6.22 states that the Board of Supervisors is not limited to the data submitted by the Civil Service Commission in determining the prevailing wage rates, but may consider other information on the subject as the Board deems proper.

As of September 17, 2003, the Civil Service Commission provided the Board of Supervisors with the following data for determining the highest general prevailing rate of wages: (a) the General Prevailing Wage Determination Survey conducted by the Director of Industrial Relations of the State of California for all craft workers, except Garage Attendants and Janitorial Service Workers (b) the existing agreement, in effect December 1, 2003 through November 30, 2008, between Parking Employers and Teamsters Automotive and Allied Workers, Local 665 for Garage Attendants and (c) the existing agreement effective August 1, 2003 through July 31, 2008, between San Francisco Maintenance Contractors Association and the Service Employees International Union (SEIU), Building Service Employees Local 1877 Division 87 for Janitors and Custodians.

Comments:

1. A copy of the applicable data submitted to the Board of Supervisors by the Civil Service Commission on September 17, 2003, as to the highest general prevailing rate of wages paid by private employers to workers performing work under City contracts for (a) public works or capital improvement projects, (b) janitorial services, and (c) public off-street parking lots garages and vehicle storage facilities in San Francisco is on file with the Clerk of the Board of Supervisors. A list of the types of jobs covered by the data submitted by the Civil Service Commission is attached to this report.

2. According to Mr. Shan Varma of the Department of Human Resources, (a) workers performing work under City contracts for public works or capital improvement

projects would be paid between $9.53 and $51.24 in hourly wages[1] (b) workers performing janitorial services would be paid at between $10.995 and $15.850 and (c) workers employed in public off-street parking lots garages and vehicle storage facilities would be paid between $10.50 and $12.75 for non-journeymen workers and $17.50 for journeymen, if the Civil Service recommended rates as contained in the report submitted by the Civil Service Commission are approved by the Board of Supervisors.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

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[1] Mr. Varma notes that these figures exclude health and welfare benefit payments, pension, and vacation and holiday pay and that basic hourly wages depend on job classification type.

General Prevailing Wage Determination made the Director of Industrial Relations, State of California

Attachment

Page 1 of 2

Asbestos Removal-Worker (Laborer)
Asbestos Worker, Heat and Frost Insulator
Boilermaker-Blacksmith
Brick Tender
Bricklayer, Blocklayer
Building/Construction Inspector
Carpenter
Carpet, Linoleum
Cement Mason
Dredger (Operating Engineer)
Drywall Installer (Carpenter)
Electrical Utility Lineman
Electrician
Elevator Constructor
Field Surveyor
Glazier
Iron Worker
Janitors*
Laborer
Landscape Maintenance Laborer
Light Fixture Maintenance
Marble Finisher
Marble Setter
Modular Furniture Installer (Carpenter)
Operating Engineer
Operating Engineer (Building Construction)
Operating Engineer (Heavy and Highway Work)
Painter
Parking and Highway Improvement Painter (Laborer)
Parking and Highway Improvement Painter (Painter)
Parking Garage Attendants*
Pile Driver (Carpenter)
Pile Driver (Operating Engineer - Building Construction)
Pile Driver (Operating Engineer - Heavy and Highway Work)
Plaster Tender
Plasterer
Plumber
Roofer
Sheet Metal Worker (HVAC)
Slurry Seal Worker
Stator Rewinder
Steel Erector and Fabtricator (Operating Engineer - Heavy & Highway Work)
Steel Erector and Fabtricator (Operating Engineer - Building Construction)
Teamster
Telecommunications Technician
Telephone Installation Worker
Terrazzo Worker
Tile Finisher
Tile Setter
Traffic Control/Lane Closure (Laborer)
Tree Trimmer (high voltage line clearance)
Tree Trimmer (line clearance)

Tunnel Worker (Laborer)
Tunnel/Underground (Operating Engineer)
Water Well Driller

* occupational categories added at the request of the Board of Supervisors

Item 5 – 03-1609

Note: This item was continued by the Finance and Audits Committee at its meeting of December 10, 2003.

Item: Ordinance amending Article 15 of the City's Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessments; authorizing such districts to be formed for a term of up to 20 years; authorizing such districts to encompass and assess residential property, and repealing Sections 1513 through 1591 of the City's Business and Tax Regulations Code.

Description: The California Property and Business Improvement Act of 1994 (Section 36600 et seq. of the California Streets and Highway Code) authorizes cities to establish Property and Business Improvement Districts (PBIDs) for the purpose of levying assessments on real property for certain purposes. Further, Proposition 218, approved by the California voters on November 6, 1996, which became part of the California Constitution (Articles XIIIC and XIIID), imposes requirements applicable to assessment districts including Property and Business Improvement Districts.

The purpose of a Property and Business Improvement District is to provide property owners within the District with additional services, including safety and maintenance services, to supplement those existing services provided by their applicable governmental jurisdiction. For example, the Union Square Business Improvement District, located in an approximately ten block area surrounding Union Square, a PBID previously authorized by the Board of Supervisors, provides for increased services from additional assessments, including (a) increased sidewalk sweeping and steam cleaning, (b) improved trash and graffiti removal and a painting crew, (c) increased public safety with one Police Officer and four uniformed Community Services Ambassadors which provide citizen assistance and referral and (d) improved community and information services for visitors.

According to Mr. David Greenburg of the City Attorney's Office, upon receiving a written petition to form a PBID from property owners in the District, a resolution of intention must be approved by the Board of Supervisors in order to initiate proceedings to form a PBID. Under State law, the written petition must be signed by property owners in the proposed PBID responsible for more than 50 percent of the total assessments in the District. Mr. Greenburg reports that the written petition must include a management district plan, containing the following:

- The name of the proposed PBID;
- A map and description of the boundaries of the proposed PBID;
- The annual improvements and activities of operation of the proposed PBID, and the maximum costs;
- The total annual cost for improvements, maintenance, and operations.
- The source of funds including the proposed method and basis of levying the assessment to property owners in the proposed PBID.
- The time and manner of collecting the assessments;
- The number of years in which the assessment will be levied;
- A list of the properties to be assessed;
- A timeline for implementing the management district plan.

Under State law, the formation of a proposed PBID, and the related levy and collection of assessments, is subject to approval by the Board of Supervisors, following a public hearing and balloting in favor of the assessments by property owners in the District responsible for a majority, or more than 50 percent of the total assessment in the District.

Regarding such PBIDs, State law currently provides that:

a) the levy and collection of assessments is for i) a maximum of five years for a new District, and ii) a maximum of ten years for a renewed District;
b) assessments can be made only on commercial property; residential property is not subject to assessment in a PBID; and

c) a written petition must be signed by property owners responsible for more than 50 percent of the total assessments in the District, in order for the Board of Supervisors to initiate proceedings to form a Property and Business Improvement District.

The proposed ordinance would amend Section 1510 and 1511 of the City's Business and Tax Regulations Code to provide the City with alternatives to State law in the formation of PBIDs. Pursuant to Sections 36600 et seq. of the California Streets and Highway Code, the proposed ordinance would allow the City to deviate from such State law in the formation of PBIDs by:

a) levying and collecting assessments for i) a maximum of 20 years for a new District, instead of five years under State law, and ii) a maximum of 20 years for a renewed District, instead of ten years under State law;
b) levying and collecting assessments on residential property as well as commercial property instead of just on commercial property; and
c) initiating proceedings to form a PBID upon receiving a written petition signed by property owners in the proposed PBID responsible for more than 30 percent of the total assessments in the District instead of more than 50 percent of the total assessments in the District.

According to Mr. Greenburg, pursuant to Section 36603 of the California Streets and Highway Code, any and all of the above amendments to the Business and Tax Regulations Code may be used by the City in lieu of State law in the formation of a PBID. However, in all other respects, the formation and operation of a PBID would continue to be subject to Section 36600 et seq. of the California Streets and Highways Code, according to Mr. Greenburg.

The proposed ordinance would also repeal Sections 1513 through 1591 of Article 15 of the City's Business and Tax Regulations Code to provide for consistency with State procedures. Mr. Greenburg advises that while Article 15 of the City's Business and Tax Regulations Code provides procedures for the City to form Property and Business Improvement Districts, since the passage of Proposition 218 by California voters in November of 1996, Article 15 of the City's Business and Tax Regulations Code has been inconsistent with State law; Article 15 of the City's Business and Tax Regulations Code provides for a majority protest procedure (see Comment No. 1) to establish a PBID, rather than a property owner balloting procedure as provided by State law (see Comment No. 1). The proposed ordinance would delete the majority protest procedure currently in the City's Business and Tax Regulations Code, thereby making the City's Code consistent with State law, authorizing a property owner balloting procedure. According to Mr. Greenburg, the City has historically proceeded under State law in forming PBIDs and that, therefore, approval of this proposed ordinance simply makes the City's Business and Tax Regulations Code consistent with State law.

Comments:

1. According to Mr. Greenburg, under Article 15 of the City's existing Business and Tax Regulations Code, the City cannot impose an assessment against property owners for a PBID without first notifying all affected property owners within the District of the intent to do so. Mr. Greenburg advises that the property owners would then be afforded an opportunity to protest the imposition of an assessment under a PBID. If a majority of the property owners object to the proposed assessment through written protest, the formation of the assessment district would not proceed; this process is referred to as a majority protest procedure, according to Mr. Greenburg. The proposed ordinance would repeal Sections 1513 through 1591 of the City's Business and Tax Code to delete the majority protest procedure, and instead provide for a property owner balloting procedure, whereby property owners are given the opportunity to cast ballots in favor of, or against, the proposed assessment.

2. As previously noted, Mr. Greenburg advises that the majority protest procedure is inconsistent with Proposition 218, approved by California voters on November 6, 1996. Mr. Greenburg advises that Proposition 218 provides for a property owner balloting procedure whereby property owners are given the opportunity to cast ballots in favor of, or against, the proposed assessment, as previously stated, instead of the majority protest procedure, wherein property owners can protest the imposition of a proposed assessment, as currently provided for under Article 15 of the City's Business and Tax Regulations Code. Under Proposition 218, in order for the assessment to be imposed, a majority of the ballots, weighted on the property owner's share of the proposed assessments, must favor the assessments. According to Mr. Greenburg, the City has historically proceeded under State law to impose assessments against property owners under a PBID.

3. In response to an inquiry of a member of the Finance and Audits Committee to review the available historical cost data of services provided to the Union Square PBID in comparison to comparable areas in the City, Mr. Michael Frank of the Recreation and Park Department and Ms. Tina Olsen of the Department of Public Works reports that such historical data is not available due to a lack of systems capability.

4. In response to a second inquiry of a member of the Finance and Audits Committee concerning specific protection against the inequitable delivery of basic city services as a result of the establishment of a PBID, which could favor PBID's over other areas of the City, Mr. Greenburg reports that he is not aware of any State or local provisions which either a) protects non-PBID areas from decreases in City services, or b) prevents an unwarranted increase in City services to a PBID area. Mr. Greenburg advises that such protections may be provided through an amendment to this proposed legislation and/or through a resolution which establishes a PBID.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 7 - File 03-1598

Department: Public Utilities Commission (PUC)

Item: Resolution approving the First Amendment of an existing lease between the City and County of San Francisco acting by and through the Public Utilities Commission (PUC) and Crystal Springs Golf Course Partners, L.P., in San Mateo County.

Purpose of Lease Amendment: To amend the rent structure, reducing the Base Rent and the Percentage Rent, and amending certain conditions based on the terms set forth in the First Amendment.

Lessor: City and County of San Francisco acting by and through the Public Utilities Commission (PUC)

Lessee: Crystal Springs Golf Course Partners, L.P. (Crystal Springs) (owners include Tom Isaak, John C. Telischak, Geomen Liu, Raymond Wong and Michael Quan)

Location and Acreage: The existing lease between the PUC and Crystal Springs consists of 199.40 acres of watershed land, owned by the PUC, used for operations of a golf course and food and beverage operations located at 6650 Golf Course Drive, Burlingame, California in San Mateo County.

Term of Existing Lease: The existing lease, which commenced April 1, 1997 and terminates March 31, 2017, is for 20 years. The proposed First Amendment does not extend or amend the term of the existing lease.

Rent Paid by Crystal Springs to the PUC Under the Existing Lease: The rent payments under the existing lease are the greater of either the Base Rent or the Percentage Rent in accordance with the following:

Base Rent

For the first three Lease Years (April 1, 1997 through March 31, 2000):
Annual Base Rent: $1,250,000
Monthly payments: $104,167

For the fourth through tenth Lease Year (April 1, 2000 through March 31, 2007):
Annual Base Rent: $1,500,000
Monthly payments: $125,000

For the eleventh through fifteenth Lease Year (April 1, 2007 through March 31, 2012):
Annual Base Rent: $2,000,000
Monthly payments: $166,667

For the sixteenth Lease Year and each Lease Year thereafter (April 1, 2012 through March 31, 2017):
Annual Base Rent: $2,250,000
Monthly Payments: $187,500

The base rents described above are adjusted annually by the amount of the percentage change in the Consumer Price Index (CPI).

Percentage Rent:

8 percent of gross revenues derived from food and beverage sales; plus 12 percent of gross revenues derived from Merchandise Sales; plus in Lease Years 1 and 2, 25 percent of gross revenues derived from golf-related sales, including green fees, cart rentals, and range fees; in Lease Years 3 through 5, 35 percent of gross revenues derived from golf-related sales; and in Lease Years 6 through 20, 40 percent of gross revenues derived from golf-related sales.

According to Mr. Gary Dowd of the PUC, percentage rents paid by Crystal Springs to the PUC are paid on a quarterly basis. Attachment I, a memo provided by Mr. Dowd, explains the Crystal Springs rent adjustment process that corrects over-collection of percentage rent received on a quarterly basis when total annual percentage rent does not exceed the base rent. Mr. Dowd advises that Base Rents has exceeded

Percentage Rent as of FY 2002-2003. Total rent paid by Crystal Springs to the PUC between Fiscal Year 1997 and Fiscal Year 2003 is as follows:

Fiscal Year	Annual Base Rent	Total Annual Percentage Rent above Base Rent Paid Quarterly	Total Annual Combined Rent	Less - Annual Rent Adjustments	Total Rent Paid to PUC on an Annual Basis
1996 - 1997	$412,501	$142,117	$554,618	$ (11,723)	$542,895
1997 - 1998	1,260,629	5,892	1,266,521	0	1,266,521
1998 - 1999	1,304,783	9,488	1,314,271	(44,776)	1,269,495
1999 - 2000	1,355,706	297,333	1,653,039	(65,417)	1,587,622
2000 - 2001	1,469,609	342,118	1,811,727	(142,297)	1,669,430
2001 - 2002	1,594,306	172,369	1,766,675	(162,589)	1,604,086
2002 - 2003	1,639,056	139,216	1,778,272	(139,216)	1,639,056
Total	$9,036,590	$1,108,533	$10,145,123	($566,018)	$9,579,105

Rents to be Paid by Crystal Springs to the PUC Under the Proposed Amended Lease:

Under the proposed First Amendment to the existing lease, the proposed rent would be the greater of either Base Rent or Percentage Rent in the reduced amounts shown below:

Base Rent

For the seventh through tenth Lease Year (June 1, 2003 through May 31, 2006[1]):
Annual Base Rent: $1,200,000
Monthly payments: $100,000
(Reduced from the current annual base rent of $1,679,290 annually or $139,941 monthly)

For the eleventh through fifteenth Lease Year (June 1, 2006 through May 31, 2012):
Annual Base Rent: $1,400,000
Monthly payments: $116,667

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[1] According to Mr. Dowd, the proposed amendment would begin retroactively to June 1, 2003 instead of the anniversary date of the lease, April 1, 2003 because the PUC has been negotiating the amendment with Crystal Springs for an extended amount of time. According to Mr. Dowd, the PUC negotiated terms and the June 1, 2003 commencement date in September of 2003.

For the sixteenth and each lease year thereafter (June 1, 2012 through May 31, 2017):
Annual Base Rent: $1,600,000
Monthly Payments: $133,333

The base rents described above are to be adjusted annually in the amount of the percentage change in the Consumer Price Index (CPI).

Percentage Rent:
8 percent of gross revenues derived from food and beverage sales; plus 8 percent of gross revenues derived from Merchandise Sales (reduced from 12 percent); plus 30 percent of up to $3.7 million and 65 percent of over $3.7 million in gross revenues derived from golf-related sales, including green fees, cart rentals, and range fees from June 1, 2003 through the remainder of the lease term (changed from 25 percent in Lease Years 1 and 2, 35 percent in Lease Years 3 through 5, and 40 percent in Lease Years 6 through 20).

According to Mr. Dowd, the proposed reduced base and percentage rents were derived from negotiations with Crystal Springs. The justifications for such proposed reductions in rent are contained in Attachment II, provided by Mr. Dowd. As stated in Attachment II, Mr. Dowd explains:

> "Restructuring the existing rental terms is necessary to ensure Crystal Springs Golf Partners' operating viability. This graduated, or tiered, approach has the effect of providing rent relief to the operator in the short term, but provides the City with greater participation in the upside if the property outperforms current expectations."

Attachment III, an analysis prepared by the Budget Analyst, compares the base rents under the existing lease and base rents under the proposed amendment for Lease Years 7 through 20, Base Rent to Crystal Springs will be reduced by $7,450,000.

Additionally, under the proposed First Amendment, Percentage Rents derived from food and beverage sales will remain at 8 percent but the other Percentage Rents will be reduced as explained above. As stated in Attachment II, Mr. Dowd explains:

> "The revised rent structure allows Crystal Springs to continue to operate the property and generate substantial rent payments to the City."

Utilities and Janitorial Service: Provided by Lessee.

Description: On August 1, 1995 the PUC issued a Request for Proposals (RFP) seeking a tenant to lease the Crystal Springs Golf Course and related facilities located in Burlingame, California. According to Mr. Dowd, prior to the Crystal Springs lease, the PUC leased the Golf Course and facilities to Mr. Charles Leider, who originally constructed the Golf Course and then operated the Golf Course for approximately 40 years before it was put out to public bid. On November 12, 1996, the PUC awarded a lease to the Crystal Springs Golf Partners, L.P. The term of this existing lease is 20 years beginning April 1, 1997 and ending March 31, 2017 for 199.40 acres of watershed land located at 6650 Golf Course Drive, Burlingame, California in San Mateo County.

According to Mr. Dowd, the existing lease with Crystal Springs was awarded at the peak of the golf course market, when many other golf courses where being built in the Bay Area. This information is discussed in the report by Economic Research Associates (ERA), described further in Comment No. 2. As noted in Attachment IV, the ERA's key findings are:

> "The Crystal Springs Golf Course lease was awarded to Crystal Springs Golf Course in 1996, essentially at the peak of the golf acquisition market. The lease terms negotiated at Crystal Springs call for higher rents than an any other California public golf course initiated either before or after this transaction."

Mr. Dowd reports that Crystal Springs has invested approximately $3.5 million for capital improvements to the golf course as required under the original lease. Mr. Dowd advises that while this investment satisfied initial lease obligations, an additional estimated $2.0 million in capital improvements are required within the next 3 to 5 years to restore the golf course to a competitive level of play. However, the Budget Analyst notes that the proposed lease amendment does not contain specific provisions to require the lessee, Crystal Springs, to expend $2.0 million for any capital improvements. According to Mr. Dowd, the necessary capital improvements and their estimated associated costs are shown in Attachment V, provided by Mr. Dowd, and are summarized below:

Improvement	Cost
New Cart Paths	$500,000
New Cart Barn	700,000
EPA Wash Down Area[2]	50,000
Various Course Improvements	450,000
Contingency	300,000
Total	$2,000,000

Mr. Dowd reports that the Bay Area golf market has declined considerably over the past several years as a result of a major expansion of the number of golf courses that occurred in the mid to late 1990s, combined with the effects of an economic downturn. Attachment VI, provided by the PUC, shows all of the golf courses in the Bay Area built since 1990, a total of 26, with 6 more presently under construction. The second page of Attachment VI illustrates the population to golf course ratios between the State of California and the Bay Area. As shown in Attachment VII, an analysis reported in the ERA Report, total annual rounds of golf played on golf courses in the Bay Area have decreased in recent years. Mr. Dowd advises that it is difficult to predict when the golf market will recover from such "overbuilding." Mr. Dowd advises that the PUC decided to amend the Crystal Springs lease and reduce rental obligations because:

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[2] According to Mr. Dowd, the EPA Wash Down Area is a concrete area with a special drain and filter that allows Crystal Springs to wash off mowing equipment after each use. It captures grass clippings and small amounts of grease and oil from mowers, etc.

> "We are trying to work with an existing tenant with a proven 7-year history and come up with a deal that keeps them operating and able to gain some fair rate of return on their investment. Given the current golf industry, a bid process could prove even more detrimental."

According to the ERA report, the proposed rent reductions will yield an internal rate of return of approximately seven percent for Crystal Springs. In Attachment X, Mr. Dowd states that industry standard is for leased golf courses to earn an internal rate of return of between 17 and 21 percent. Therefore, according to Mr. Dowd, this proposed amendment is providing the bare minimum for Crystal Springs to remain economically viable.

In addition to the proposed reduced rent levels as noted above, the proposed first amendment to the lease would result in reductions in the security deposit required to be maintained by Crystal Springs from the current level of approximately $800,000 to an amount equal to 3 month's base rent under the proposed first amendment, or $300,000 initially. Any amount in excess of $300,000 that is currently in the security deposit account shall be deposited by Crystal Springs into the Capital Improvement Fund, along with additional funds, if necessary, payable by Crystal Springs, to a total deposit of $500,000. This deposit to the Capital Improvement Fund is named in the proposed lease amendment as the "Additional Capital Improvement Fund (CIF) Deposit Amount.

Further, under the proposed first amendment, required annual Capital Improvement Fund Contributions of two percent of annual gross revenues paid by the Crystal Springs would be matched by the PUC in the form of rent credits up to a maximum additional deposit to the CIF of $500,000. At the time total rent credits for this purpose equal the $500,000 maximum amount the PUC would cease matching the Capital Improvement Fund contributions. Under the existing lease, the PUC does not make any contributions to the Capital Improvement Fund.

In summary therefore, the Capital Improvement Fund will have total deposits of $1,000,000 comprised of a) the Additional (CIF) Deposit Amount by Crystal Springs of $500,000 and, b) matching deposits, through rent credits by the PUC, of $500,000.

In addition, Crystal Springs will be required to continue to deposit two percent of annual gross revenues to the Capital Improvement Fund as is required under the existing lease. Based on the ERA projections shown in Attachment IX, such total deposits to the Capital Improvement Fund will be $1,630,000 for the years 2003 through 2016.

Comments:

1. According to Mr. Dowd, in early 2002, Crystal Springs Golf Course approached the PUC requesting modifications to their original lease due to the declining economy and golf market. In response to their request and at their expense, the PUC engaged the services of Economic Research Associates (ERA), at a cost of $15,000 paid by Crystal Springs, to perform an independent assessment of the economics of the original lease and the operations of the premises. Mr. Dowd notes that ERA was selected by the PUC because of their reputation in the area golf industry. A summary of the ERA findings and subsequent recommendations are described in Attachment IV, provided by the PUC.

2. Attachment VIII, which includes two tables from the ERA report, shows the actual net income for Crystal Springs for the period of 1997 through 2001 and projected gross revenues and anticipated negative cash flow balances of the Crystal Springs Golf Course under the current rent structure according to the ERA findings.

The actual net operating income for Crystal Springs for calendar years 1997 through 2002[3] are shown below:

Calendar Year	1997	$250,682
	1998	(372,432)
	1999	(207,211)
	2000	42,156
	2001	41,737
	2002	57,025

As also shown on page 2 of Attachment VIII, ERA's projected negative baseline net operating income for Crystal Springs ranges from $56,000 in 2003 to $244,000 in 2016, based on the current rent structure.

3. Attachment IX, also a table from the ERA report, shows the projected gross revenues and anticipated positive cash flow balances of the Crystal Springs Golf Course under the amended rent structure according to the ERA findings. The projected baseline net operating income ranges from $325,000 in 2003 (an increase of $381,000 or 680 percent from the projected Net Income when the existing lease terminates) to $166,000 in 2016 (an increase of $410,000 or 247 percent from the projected Net Income when the existing lease terminates). The Budget Analyst has not independently verified source data used for the ERA calculations or that projections are appropriate.

Recommendations:

1. The Budget Analyst recommends an amendment to the proposed resolution to require the addition of a specific lease provision to require that the lessee, Crystal Springs, expend not less than $2.0 million in capital improvements during the remainder of the 20-year term of the lease, by inserting the following on line 16 of the proposed resolution:

> FURTHER RESOLVED that the Board of Supervisors approval of this lease is conditioned on the inclusion of a specific lease provision that the

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[3] The audited financial statements for Crystal Springs was not available at the time of the preparation of the ERA report.

Tenant shall be obligated to expend an aggregate amount of not less than Two Million Dollars ($2,000,000), in connection with completing capital improvements during the term of the lease.

2. Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Attachment I

MEMORANDUM

DATE: November 5, 2003

TO: Budget Analyst

FROM: Garrett M. Dowd, Director SFPUC Real Estate Services

RE: Crystal Springs Golf Course Lease Amendment

In response to your request for information relative to how Crystal Springs Golf Partners (CSGP) rent payments are calculated and processed I provide the following explanation:

Each month CSGP pays Base Rent per the terms of their Lease Agreement. On a quarterly basis, CSGP is required to pay the greater of Base Rent or Percentage Rent. During the summer quarter(s), when play is heaviest, this sometimes results in Percentage Rent being paid. At the end of the calendar year, an audit is performed to determine whether any Percentage Rent is payable on an annual basis. If quarterly Percentage Rent had been paid but none is due on an annual basis as a result of the audit, a credit is issued to the tenant. This has been the case for the last several years.

Given the existing rent structure, Base Rent is exceeding Percentage Rent on an annual basis.

Attachment II

MEMORANDUM

DATE: December 10, 2003

TO: Budget Analyst

FROM: Garrett M. Dowd, Director SFPUC Real Estate Services

RE: Crystal Springs Golf Course Lease Amendment

In response to your request for information relative to the justification of the Crystal Springs Lease Amendment rent reductions, I provide the following explanation:

The revised rent structure allows Crystal Springs to continue to operate the property and generate substantial rent payments to the City, upgrade the property through the Capital Improvement Reserve Account and earn a modest return with the potential for some upside. The lease terms originally negotiated at Crystal Springs call for higher rents than at any other California public golf course initiated either before or after this transaction. Crystal Springs has already invested about $3.5 million in capital improvements at the golf course.

Restructuring the existing rental terms is necessary to ensure Crystal Springs Golf Partners' operating viability. This graduated, or tiered, approach has the effect of providing rent relief to the operator in the short term, but provides the City with greater participation in the upside if the property outperforms current expectations.

We hired an outside expert to evaluate and justify an appropriate rent reduction based on Industry Standards. Through that analysis, ERA made a determination that a rental reduction was in fact appropriate. The SFPU is in full support of the recommendations outlines in the ERA analysis.

Difference in Base Rents to be Paid by Crystal Springs

	Existing Lease	Proposed Amendment
LY 7: 2003-04	$ 1,500,000	$ 1,200,000
LY 8: 2004-05	1,500,000	1,200,000
LY 9: 2005-06	1,500,000	1,200,000
LY 10: 2006-07	1,500,000	1,200,000
LY 11: 2007-08	2,000,000	1,400,000
LY 12: 2008-09	2,000,000	1,400,000
LY 13: 2009-10	2,000,000	1,400,000
LY 14: 2010-11	2,000,000	1,400,000
LY 15: 2011-12	2,000,000	1,400,000
LY 16: 2012-13	2,250,000	1,600,000
LY 17: 2013-14	2,250,000	1,600,000
LY 18: 2014-15	2,250,000	1,600,000
LY 19: 2015-16	2,250,000	1,600,000
LY 20: 2016-17	2,250,000	1,600,000
Total base rents	$ 27,250,000	$ 19,800,000
Difference	**$ 7,450,000**	

prepared by the Budget Analyst

DEPARTMENT **REAL ESTATE SERVICES** AGENDA NO. ______

MEETING DATE **September 9, 2003**

SUMMARY OF PROPOSED ACTION:

Authorizing the General Manager of the Public Utilities Commission to execute a First Amendment to Lease between the City and County of San Francisco and Crystal Springs Golf Partners, L.P. for the operation of a public golf course and related facilities located in Burlingame, California. This First Amendment to Lease will modify the Base Rent and Percentage Rent portions of the lease, as well as the Security Deposit requirement and Capital Improvement Fund Contributions from the City.

The following is a summary of the **ERA's key findings** regarding Crystal Springs Golf Course:

- The Crystal Springs Golf Course lease was awarded to CSGP in 1996, essentially at the peak of the golf acquisition market. The lease terms negotiated at Crystal Springs call for higher rents than at any other California public golf course initiated either before or after this transaction.
- Crystal Springs Golf Course has invested about $3.5 million in capital improvements at the golf course, including $2.0 million of partnership funds and $1.5 million in Capital Improvement Program reserve funds (CIP). While this investment satisfied Crystal Springs Golf Partners' lease investment obligation, another $1.5 to $2.0 million in capital improvements is required to restore the golf course to a competitive level.
- Over the initial five years of the lease agreement where percentage rents were equal to 25% to 35% of golf related gross revenue (31% average), Crystal Springs Golf Course generated sufficient net operating income to meet its rent obligation and distributed about a 1% return on invested capital to its partners. Total return was approximately 10%, although virtually all of this was required to service bank loans. Given the risks inherent in a golf "turn around" investment, this is considered a marginal return.
- The Bay Area golf market has softened considerably over the past several years as a result of a major expansion of the golf inventory that occurred in the mid to late 1990s, combined with the effects of an economy in recession. Play and revenue levels in 2002 through June 2003 at Crystal Springs and most other Bay Area public courses is down about 10 percent compared with the same period 2001, following a 5% decline from 2000 to 2001. It is difficult to predict when the golf market will recover from overbuilding.
- At the same time that the market is softening and Crystal Springs Golf Course revenues are declining, Crystal Springs' percentage rent is increasing from 35% to 40% of golf-related revenue.
- A rule of thumb for long-term facility leases is a two-thirds share to the lessor and one-third share to the lessee. Over the last several years, the Crystal Springs lease has allocated approximately 90% to the lessor and 10% to the

lessee. The lessee is currently paying approximately 100% of its earnings in rent.

- Using current "baseline" net operating income projections for 2003 through the end of the lease term, under the existing rent structure, Crystal Springs Golf Course will be unable to meet its rent obligation or fund essential additional capital improvements. Projected baseline net operating income is $56,000 to $244,000 below rent obligations annually.

Recommendations From Independent Appraiser

The following recommendations have been made by ERA. Staff supports their recommendations.

- Restructuring the existing rental terms is necessary to ensure Crystal Springs Golf Partners' operating viability, fund additional capital improvements, and provide reasonable maintenance and golf service levels.
- The recommended approach is to substitute graduated percentage rents for the fixed percentage rent currently in place. This graduated, or tiered, approach has the effect of providing rent relief to the operator in the short term, but provides the City with greater participation in the upside if the property outperforms current expectations. Based on a review of Crystal Springs' operations and comparable lease transactions consummated over the past ten years, the following adjustment would approximate market terms:

	Current	Tiered Approach
Minimum Annual Rent	$1.5M/$2M/$2.25M*	$1.2M/$1.4M/$1.6M*
Percentage Rents		
Golf Related**	40%	30% up to $3.7M 65% over $3.7M
Food & Beverage	8%	8%
Merchandise	12%	8%
Other	12%	12%
CIP Reserve	2%	2%

* Years 6-10/11-15/16-20
** Greens, carts, and range

Specifically, under the recommended tiered approach, rent equal to 30% of the gross golf-related revenue up to $3.7 million would be assessed, while revenue above $3.7 million would be subject to rent equal to 65% of gross revenue.

The revised rent structure allows Crystal Springs Golf Partners to continue to operate the property and generate substantial rent payments to the City, upgrade the property through the Capital Improvement Reserve Account and earn a modest return with the potential for some upside.

Additional Special Amendment Clauses 3, 4, and 6:

3. Security Deposit. The Security Deposit of the Original Lease is modified to read

as follows: Equal to three (3) months' Base Rent. The amount of the Security Deposit existing on June 1, 2003, shall be reduced to an amount to equal to there (3) months' base rent and the amount in excess of $300,000 shall be deposited by Tenant into the Capital Improvement Fund, up to a maximum deposit of $500,000.

4. Capital Improvement Fund Contribution from City. The SFPUC will make contributions to the Capital Improvement Fund (CIF) in the amount of two percent (2%) of Gross Revenues. The contributions will be made in the form of monthly rent credits to Tenant which the Tenant shall immediately deposit into the CIF. City CIF deposits shall cease once the deposits equal the Additional CIF Deposit amount contributed by Tenant.

6. Two Year Lease Review. The SFPUC will review Lessee's audited annual reports for years 2003 and 2004 and compare these figures with the figures projected in Economic Research Associates' (ERA's) report. After review of the audited annual reports, the SFPUC has up to 90 days to amend the lease reflecting modifications consistent with the recommendations of ERA's report. If no amendment is provided by the SFPUC, then the existing Lease terms shall remain in full force and effect.

MEMORANDUM

DATE: December 2, 2003

TO: Budget Analyst

FROM: Garrett M. Dowd, Director SFPUC Real Estate Services

RE: Required Capital Improvements

In response to your request for information on Crystal Springs' required capital improvements, I provide the following:

A rough budget of future capital expenditures includes:

New Cart Paths	$500,000
New Cart Barn	$700,000
EPA Wash Down Area[1]	$ 50,000
Golf Course Improvements	$450,000
Miscellaneous/Contingency	$300,000
Total	$2,000,000

They intend to do this work over the next 3-5 years depending on the availability of funds.

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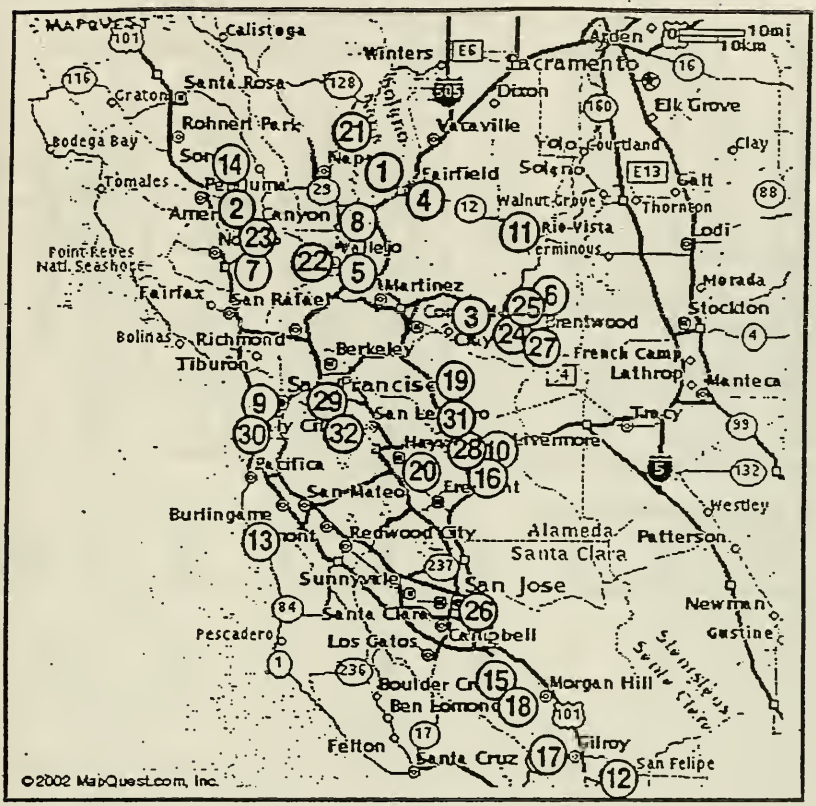
[1] The EPA Wash Down Area is a concrete area with a special drain and filter that allows Crystal Springs to wash off mowing equipment after each use. It captures grass clippings and small amounts of grease and oil from mowers, etc.

Attachment VI
Page 1 of 2

NEW ADDITIONS TO PUBLIC GOLF COURSE SUPPLY SINCE 1990
SAN FRANCISCO BAY AREA


MAPQUEST
10mi
10km
Calistoga
Winters
Sacramento
Arden
Santa Rosa
Dixon
Elk Grove
Rohnert Park
Vacaville
Bodega Bay
Clay
Fairfield
Solano
Galt
Tomales
Walnut Grove
Thornton
Lodi
Rio Vista
Vallejo
Point Reyes Natl. Seashore
Morada
Fairfax
San Rafael
Martinez
Stockton
Bolinas
Richmond
Brentwood
Berkeley
French Camp
Tiburon
Lathrop
Manteca
Tracy
Livermore
Pacifica
San Mateo
Westley
Burlingame
Redwood City
Alameda
Santa Clara
Patterson
Sunnyvale
San Jose
Newman
Pescadero
Santa Clara
Los Gatos
Campbell
Gustine
Boulder Cr
Ben Lomond
Morgan Hill
Stanislaus
Felton
Gilroy
Santa Cruz
San Felipe
©2002 MapQuest.com, Inc.

1 = Rancho Solano, Fairfield (1990, 18-H)
2 = Adobe Creek, Petaluma (1990, 18-H)
3 = Oakhurst, Clayton (1990, 18-H)
4 = Paradise Valley, Fairfield (1993, 18-H)
5 = Blue Rock Springs, Vallejo (1993, 18-H)
6 = Brentwood, Brentwood (1994, 27-H)
7 = McInnis Park, San Rafael (1994, 9-H)
8 = Hiddenbrooke, Vallejo (1995, 18-H)
9 = Presidio, San Francisco (1996, 18-H)
10 = Poppy Ridge, Livermore (1996, 27-H)
11 = Rio Vista, Rio Vista (1996, 18-H)
12 = San Juan Oaks, Hollister (1997, 18-H)
13 = Ocean Course, Half Moon Bay (1997, 18-H)
14 = Rooster Run, Petaluma (1998, 18-H)
15 = Cinnabar Hills, San Jose (1998, 27-H)
16 = Wente Vineyards, Livermore (1998, 18-H)
17 = Eagle Ridge, Gilroy (1999, 18-H)
18 = Coyote Creek, San Jose (1999, 18-H)
19 = The Bridges, San Ramon (1999, 18-H)
20 = Mission Hills, Hayward (1999, 9-H)
21 = Vintner's, Yountville (1999, 9-H)
22 = Mare Island, Vallejo, (2000, 9-H)
23 = Stone Tree, Novato (2000, 18-H)
24 = Roddy Ranch, Antioch (2000, 18-H)
25 = Shadow Lakes, Antioch (2001, 18-H)
26 = Las Lagos, San Jose (2002, 18-H)

Under Construction / Renovation / Proposed

27 = Deer Ridge, Antioch (Summer 2002, 18-H)
28 = Dublin Ranch, Dublin (Spring 2003, 18-H)
29 - Metropolitan, Oakland (Spring 2003, 18-H)
30 = Harding Park Redesign (Fall 2003, 27-H)
31 = Pleasanton Municipal (Fall 2003, 18-H)
32= Alameda Point Municipal (18-H, 2005)

COMPARISON OF POPULATION TO GOLF COURSE RATIOS
State of California and San Francisco Bay Area
Not Including Courses Under Construction/Proposed

	1990	2002	Change Number	Change Percent
State of California Population	29,336,220	33,498,246	4,162,026	
No. Public-Access Golf Courses, 18-Hole Equivalents[1]	436.5	570.5	134	
Population/18-Hole Course[1]	67,208	58,717	—	13%
San Francisco Bay Area Population[2]	6,020,147	6,930,600	910,453	
No. Public-Access Golf Courses, 18-Hole Equivalents	63	88	27	
Population/18-Hole Course	95,558	78,757	—	18%

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[1] National Golf Foundation.

[2] Association of Bay Area Governments.

Source: National Golf Foundation and Economics Research Associates, 5/02.

Table 11

Trend in Annual Rounds Played
Selected Daily Fee Golf Facilities

Course Name, Location	# of Holes	Year Opened	Approx. Rounds 2001	Trend in Annual Rounds Played
Presidio, San Francisco	18	1985	78,000	Annual rounds have slightly decreased from 79,000 in 1996 to 78,000 in 2001. Management attributes the decrease to soft economic conditions though rounds have been supported by good weather conditions.
Half Moon Bay Golf Links, Half Moon Bay	36	1974/1997	70,000	Rounds have decreased from 53,000 at the Links Course in 1996 to 35,000 in 2001. The decrease is attributed mainly to soft economic conditions and the addition of 10 new courses in the Bay Area within the past few years.
Cinnabar Hills, San Jose	27	1998	76,000	Annual rounds have been steadily decreasing from 83,000 in 1999 to 76,000 in 2001. The decreases have been attributed to the soft economic conditions and lack of growth in the golf playing population in the area.
Coyote Creek, San Jose	36	1999/2001	62,000	Reopened in 1999, the Coyote Creek course has seen rounds decrease from 72,000 rounds at the Valley course to 62,000 rounds between its 2 new courses. The decrease is attributed primarily to the soft economy resulting in lower tournament rounds.
Sunol Valley, Sunol	36	1968	150,000	Rounds have increased from 136,000 to 150,000 rounds in the 1996 to 2001 period. The increase is attributed to more discounting and lower effective greens fees.
Spring Valley, Milpitas	18	1956	82,000	Annual rounds have been steadily decreasing from 86,000 in 1996 to 82,000 in 2001. This decrease is attributed to the addition of approximately four to five new golf courses in the general vicinity.
Canyon Lakes, San Ramon	18	1987	42,000	Annual rounds have remained steady at 42,000 rounds since 1996. Management states that the course location has helped the course weather the current economic conditions but that it has discounted during off-peak times to maintain rounds.
Poppy Ridge, Livermore	27	1996	75,000	Annual rounds have declined from about 80,000 in 1997 to about 75,000 rounds in 2001. The decline in play has been primarily for weekday play. In addition, the course has offered more special rates on weekdays.
Wente Vineyards, Livermore	18	1998	40,000	Annual rounds have been steady in the low 40,000 range for the last several years. To maintain play levels, course has offered new twilight rates. Regular 18-hole play has declined in recent years due to soft economic conditions.

Attachment VIII
Page 1 of 2

Table 1

AUDITED SUMMARY INCOME STATEMENTS, CRYSTAL SPRINGS GOLF COURSE
1997 THROUGH 2001

	2001	2000	1999	1998	1997
Greens Fees	$ 2,225,985	$ 2,345,257	$ 2,231,883	$ 1,673,394	$ 1,974,109
Membership Dues	$ 768,405	$ 827,312	$ 834,776	$ 827,825	$ 811,020
Cart Rentals	$ 681,270	$ 666,413	$ 594,849	$ 441,809	$ 532,609
Driving Range	$ 396,502	$ 443,218	$ 546,609	$ 510,779	$ 322,634
Food and Beverage	$ 955,004	$ 756,816	$ 847,959	$ 694,612	$ 628,934
Merchandise	$ 276,954	$ 255,044	$ 251,916	$ 189,478	$ 180,855
Lessons	$ 10,980	$ 14,008	$ 77,730	$ 42,789	$ 29,515
Club Rentals	$ 51,399	$ 41,021	$ 22,914	$ 23,235	$ 28,369
Locker Rental	$ 6,329	$ 7,413	$ 6,534	$ -	$ -
Clubhouse Rental	$ 61,042	$ 39,243	$ 15,479	$ 9,038	$ 4,675
Gross Op. Revenue	$ 5,433,870	$ 5,395,745	$ 5,430,649	$ 4,412,959	$ 4,512,720
Cost of Sales					
Merchandise	$ 206,832	$ 186,228	$ 150,215	$ 167,919	$ 138,647
Food & Beverage	$ 272,746	$ 245,302	$ 334,171	$ 253,310	$ 233,882
Total Cost of Sales	$ 479,578	$ 431,530	$ 484,386	$ 421,229	$ 372,529
Net Operating Revenue	$ 4,954,292	$ 4,964,215	$ 4,946,263	$ 3,991,730	$ 4,140,191
Operating Expenses					
Course Maintenance	$ 728,913	$ 675,977	$ 811,482	$ 801,083	$ 812,732
Golf Operations	$ 640,209	$ 521,123	$ 637,312	$ 595,620	$ 559,040
Food and Beverage	$ 730,806	$ 654,720	$ 675,910	$ 613,245	$ 438,785
General & Administrative	$ 849,224	$ 1,209,365	$ 1,082,651	$ 793,067	$ 745,175
Total Operating Expenses	$ 2,949,152	$ 3,061,185	$ 3,207,355	$ 2,803,015	$ 2,555,732
NOI, Before Rent & CIP	$ 2,005,140	$ 1,903,030	$ 1,738,908	$ 1,188,715	$ 1,584,459
Less: Rent	$ 1,572,675	$ 1,583,701	$ 1,561,257	$ 1,281,879	$ 1,087,503
Less: Cap Imp Fund	$ 320,044	$ 324,634	$ 318,514	$ 263,304	$ 238,095
NOI, After Rent & CIP	$ 112,421	$ (5,305)	$ (140,863)	$ (356,468)	$ 258,861
Non Operating Income & Expense					
Loss on Abandoned Assets	$ -	$ -	$ -	$ -	$ (2,470)
Misc. Income	$ 11,768	$ 2,418	$ 2,726	$ 8,815	$ 3,334
Gain on Sale of Assets	$ -	$ 14,218	$ -	$ -	$ -
Property Tax Refund		$ 137,247	$ -	$ -	$ -
Interest Income	$ 31,948	$ 43,853	$ 55,363	$ 37,416	$ 40,027
Interest Expense	$ (107,671)	$ (131,201)	$ (106,811)	$ (48,766)	$ (27,247)
Amortization	$ (6,729)	$ (16,074)	$ (16,074)	$ (11,880)	$ (14,851)
Contributions	$ -	$ (3,000)	$ (1,552)	$ (549)	$ (2,000)
Adv. & Pro. Special Events	$ -	$ -	$ -	$ (1,000)	$ (4,172)
State Income Tax Expense	$ -	$ -	$ -	$ -	$ (800)
Subtotal	$ (70,684)	$ 47,461	$ (66,348)	$ (15,964)	$ (8,179)
Net Income	$ 41,737	$ 42,156	$ (207,211)	$ (372,432)	$ 250,682

Table 18

CRYSTAL SPRINGS RENT AND RETURN - BASELINE/CURRENT RENT STRUCTURE

(In Current $000s)

		Year													
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NOI Before Rent & CIP		$1,647	$1,588	$1,527	$1,573	$1,620	$1,669	$1,719	$1,770	$1,823	$1,878	$1,934	$1,992	$2,052	$2,114
CIP Reserve @ 2%		101	101	101	104	107	110	113	117	120	124	127	131	135	139
NOI Before Rent		$1,547	$1,488	$1,426	$1,469	$1,513	$1,559	$1,605	$1,654	$1,703	$1,754	$1,807	$1,861	$1,917	$1,974
Rent															
Golf	40.0%	$1,484	$1,484	$1,484	$1,529	$1,574	$1,622	$1,670	$1,720	$1,772	$1,825	$1,880	$1,936	$1,994	$2,054
Merchandise/Rentals	12.0%	29	29	29	30	31	32	33	34	35	36	37	38	40	41
Food & Beverage	8.0%	80	80	80	82	85	87	90	93	96	98	101	104	108	111
Other	12.0%	9	9	9	9	10	10	10	10	11	11	11	12	12	12
Total Rent		1,602	1,602	1,602	1,650	1,700	1,751	1,804	1,858	1,913	1,971	2,030	2,091	2,153	2,218
NOI After Rent & CIP		($56)	($115)	($176)	($181)	($187)	($192)	($198)	($204)	($210)	($216)	($223)	($230)	($237)	($244)
Cash Flow-CSGP	($2,000)	($56)	($115)	($176)	($181)	($187)	($192)	($198)	($204)	($210)	($216)	($223)	($230)	($237)	($244)
Internal Rate of Return		(Negative)													
City - Rent NPV @	8%	14,777													

Table 19

CRYSTAL SPRINGS RENT AND RETURN - BASELINE/TIERED RENT STRUCTURE

(In Current $000s)

		Year													
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NOI Before Rent & CIP		$1,647	$1,588	$1,527	$1,573	$1,620	$1,669	$1,719	$1,770	$1,823	$1,878	$1,934	$1,992	$2,052	$2,114
CIP Reserve @ 2%		101	101	101	104	107	110	113	117	120	124	127	131	135	139
NOI Before Rent		$1,547	$1,488	$1,426	$1,469	$1,513	$1,559	$1.605	$1,654	$1,703	$1,754	$1,807	$1,861	$1,917	$1,974
Revenue															
Greens Fees		$2,800	$2,800	$2,800	$2,884	$2,971	$3,060	$3,151	$3,246	$3,343	$3,444	$3,547	$3,653	$3,763	$3,876
Carts		560	560	560	577	594	612	630	649	669	689	709	731	753	775
Practice Range		350	350	350	361	371	382	394	406	418	430	443	457	470	484
		3,710	3,710	3,710	3,821	3,936	4,054	4,176	4,301	4,430	4,563	4,700	4,841	4,986	5,136
Index Level		$3,710	$3,784	$3,860	$3,937	$4,016	$4,096	$4,178	$4,262	$4,347	$4,434	$4,522	$4,613	$4,705	$4,799
Rent															
Golf															
Up to $3.7 million	30.0%	$1,113	$1,113	$1,113	$1,146	$1,181	$1,216	$1,253	$1,278	$1,304	$1,330	$1,357	$1,384	$1,412	$1,440
> $3.7 million	65.0%	-	-	-	-	-	-	-	26	54	84	115	148	182	219
Subtotal Golf		$1,113	$1,113	$1,113	$1,146	$1,181	$1,216	$1,253	$1,304	$1,358	$1,414	$1,472	$1,532	$1,594	$1,658
Merchandise/Rentals	8.0%	20	20	20	20	21	21	22	23	23	24	25	26	26	27
Food & Beverage	8.0%	80	80	80	82	85	87	90	93	96	98	101	104	108	111
Other	12.0%	9	9	9	9	10	10	10	10	11	11	11	12	12	12
Total Rent		1,222	1,222	1,222	1.258	1,296	1,335	1,375	1,430	1,488	1,548	1,610	1,674	1,740	1,809
NOI After Rent & CIP		$325	$266	$205	$211	$217	$224	$231	$224	$215	$207	$197	$188	$177	$166
Cash Flow-CSGP															
Internal Rate of Return	($2,000)	6.8%													
	($2,500)[1]	3.0%													
City - Rent NPV @ 8%		$11,443													

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[1] Assumes an additional $500,000 invested by the operator.

REVISED 1/2/04

Item 8 - File 03-1902

Department: Emergency Communications Department (ECD)

Item: Request for release of $48,959 of reserved funds for the False Alarm Prevention Program.

Amount: $48,959

Source of Funds: General Fund monies previously appropriated and reserved by the Board of Supervisors in the FY 2003-2004 budget.

Description: The Board of Supervisors reserved $48,959, in the ECD FY 2003-2004 budget, representing 50 percent[1] or six months funding of the permanent salary and mandatory fringe benefit expenditures associated with 1.00 FTE 0922 Manager I position.

The 0922 Manager I position was initially filled by ECD in December of 2002 through a TX from a 2533 Emergency Medical Services Agency Specialist position until the ECD workload necessitated the return of the 2533 position. In the FY 2003-2004 budget submitted by the Mayor to the Board of Supervisors, ECD requested that one vacant 1232 Training Officer position, at an annual salary of $83,456, be deleted and instead requested a substitution of one 0922 Manager I position at an annual salary of $98,274. The 0922 Manager I position was requested for purposes of implementing the False Alarm Prevention Program, a program designed to (1) encourage alarm owners to keep their alarm systems properly maintained, (2) reduce the number of false alarm calls, and (3) offset the costs of Police Officers having to respond to false alarms.

The Budget Committee authorized six months funding from July 1, 2003 through December 31, 2003 of permanent salaries and mandatory fringe benefit monies for the 0922 Manager I position, to implement the False Alarm Prevention Program. The Budget Committee reserved the last six months of the 0922 position, pending a report back to the Board of Supervisor's as to the actual results of the Program implementation, including the revenues collected to date for FY 2003-2004. Attachment I, provided by Mr. Daniel Sullivan of the ECD, contains the justification for this subject requested release of funds and what the 0922 Manager I position has accomplished since July 1, 2003 to date.

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[1] The amount reserved is $48,959, which is $178 less than 50% of the annual salary of $98,274 for a 0922 Manager I position due to adjustments for system calculations.

According to Mr. William Lee of the ECD, a permanent full-time 0922 Manager I position is needed to ensure (a) that ECD is able to fully implement the False Alarm Prevention Program and (b) the continued revenue generation from the Program's fees and penalties.

According to Captain John Goldberg of the San Francisco Police Department (SFPD), it is the policy of the SFPD to respond to 100% of all commercial and residential burglar alarms. Attachment II to this report, provided by Mr. Lee, identifies the estimated FY 2002-2003 costs of $1,891,974[2] for SFPD uniform officers to respond to an estimated 60,000 annual alarms. According to Captain Goldberg, 99.65 percent of the 60,000 alarm calls that the SFPD responds to, or an estimated 59,790, are false alarms which cost the SFPD an estimated $1,885,351.

For the first year of the False Alarm Prevention Program, in FY 2002-2003, budgeted expenditures totaled $2,164,488 comprised primarily of expenses for the Police Department of $1,891,974 for Police Officers to respond to the alarm calls. Attachment II, outlines the additional FY 2002-2003 budgeted costs of $170,252 for the Treasurer/Tax Collector, for billing and collecting, $75,000 for Department of Telecommunications and Information Services (DTIS) for developing the technology for the program and $27,262 for ECD to administer the program. Budgeted revenues from annual permit fees ($40.00 charged to residential owners and $60.00 charged to commercial alarm owners), and penalties charged under the False Alarm Prevention Program were projected at $1,950,000 for FY 2002-2003, with the balance of $214,487 ($2,164,487 less $1,950,000) to be funded by the City's General Fund. However, according to Mr. William Lee, only $99,125, or 5.1 percent of the $1,950,000 which was budgeted in permit fees and penalties were actually collected in FY 2002-2003 because of the reasons explained in Attachment III provided by Mr. Sullivan.

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[2] Figure was provided by Captain John Goldberg of the SFPD.

FY 2003-2004 revenues for the False Alarm Prevention Program are budgeted at $975,000 or 50 percent less than FY 2002-2003 budgeted revenues of $1,950,000. As of December 5, 2003, revenues for the first five months of FY 2003-2004 for permit fees were $982,685 and penalty fees were $28,640 totaling $1,011,325. Mr. Lee projects total revenues for FY 2003-2004 will be $2,505,370 or 157% percent of budgeted revenues of $975,000, because, due to a delay in the collection of permit fees, two years of permit fee revenues were included in the total of $2,505,370, resulting in one year revenues of $1,522,685. The budgeted amount for FY 2003-2004 was decreased by 50% from FY 2002-2003 at the direction of the Mayor's Office. In Attachment IV, Mr. Sullivan reports that the Program is still not fully implemented in FY 2003-2004 for three primary reasons, all relating to the fact that the responsibility to bill and collect has not yet been fully or widely accepted by the alarm companies. Mr. Sullivan further states that once the False Alarm Prevention Program is fully implemented, ongoing annual revenues are estimated at $1,522,685.

Comments:

1. During the FY 2003-2004 budget process the Budget Analyst recommended disapproval of the requested 0922 Manager I position because the False Alarm Prevention Program had not met the stated revenue and policy goals in FY 2002-2003 of achieving $1,950,000 in annual revenues and in reducing the number of false alarm calls. The Budget Committee authorized six months funding

for the 0922 position, reserving the last six months of funding pending a report from ECD as to the results of the implementation of the Program, including revenue collections.

2. According to Mr. Lee, the number of estimated False Alarm calls has decreased approximately 14.95 percent, from 4,106 in June of 2003 to 3,492[3] in October of 2003.

3. According to Mr. Lee, the 0922 Manager I position for the Alarm Ordinance Manager, has played a pivotal role in the False Alarm Prevention Program by performing outreach activities such as responding to over 3,800 public inquiries, serving as the department spokesperson in television and radio interviews, establishing procedures for handling appeals, and coordinating the responsibilities of the Treasurer/Tax Collector as well as the DTIS. Mr. Lee states that this position is needed in order to complete the implementation and provide continued oversight of the False Alarm Prevention Program.

4. Attachment V provided by Mr. Wayne Snodgrass, of the City Attorney's Office, explains the status of the current lawsuit brought by the private alarm companies against the City. To date, the alarm companies have been resistant to comply with the City's False Alarm Prevention Program which requires such alarm companies to bill and collect the City's permit fees from their alarm customers.

Recommendation: Approval of the requested release of reserved funds of $48,959 to continue the 0922 Manager I position is a policy matter for the Board of Supervisors.

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[3] False alarm calls is based on 99.65% of total alarm calls made.

Attachment I
Page 1 of 2

Emergency Communications Department
1011 Turk Street, San Francisco, CA 94102
(415) 558-3800 Fax (415) 558-3841

Willie L. Brown, Jr. Mayor

Daniel A. Sullivan, Acting Executive Director

MEMORANDUM

TO: **Harvey Rose**
Board of Supervisors Budget Analyst

FROM: **Daniel A. Sullivan** DAS
Acting Executive Director
Emergency Communications Department

DATE: **December 18, 2003**

RE: **Justification for Release of 0922 Manager I Position**

Per your request, I have outlined the major accomplishments associated with the Emergency Communications Department's Alarm Ordinance Manager position.

The accomplishments that have been achieved since July 1, 2003, which have been identified by major program functions, are as follows:

1. Program Management & Coordination
    - Chaired weekly False Alarm Committee Meetings, which includes the Tax Collector's Office (TTX), the City Attorney's Office, and DTIS.
    - Provided weekly minutes to committee members.
    - Devised an interim strategy for the billing of registration fees (Phase I), which TTX initiated on July 1, 2003.
    - Worked with DTIS and TTX to resolve inaccurate account data provided by alarm companies for Phase I.
    - Developed implementation strategies for penalty billings (Phase II), which TTX began on October 1, 2003.
    - Provided changes to TTX for account updates based on communication with false alarm offenders.
    - Development of an operating procedures manual.

2. Outreach
    - Responded to over 3,800 public inquiries, encompassing telephone calls as well as emails, within 2-3 days of inquiry.
    - Distributed a "First Contact Letter" for all unregistered alarm occurrences.
    - Conducted 5 television and radio interviews.
    - Presented at 5 Police Community meetings and provided informational handouts to several other community groups.
    - Worked with 126 alarm companies regarding their compliance issues, of which 78 have provided their list of alarm accounts.
    - Provided program updates to the department's website.

3. Statistical Reporting & Analysis
   - Distributed internal statistical reports to Executive Management.
   - Performed trend analysis of monthly alarm call volume by disposition code.
   - Monitored monthly false alarm data to identify new alarm companies for the distribution of outreach materials.
   - Developed a quarterly report format to provide program updates.

4. Appeals
   - Researched other police departments for the handling of appeals.
   - Developed a tracking system and program guidelines for the administration of appeals.
   - Developed appeal submission forms and appeal criteria handouts for requesting parties.
   - Trained DPT Hearing Officers regarding the ordinance provisions.
   - Performed administrative review of 15 written appeals, of which:
     - 4 have been granted through an administrative review
     - 6 are pending due to insufficient appeals paperwork
     - 5 have been scheduled for a formal hearing

As indicated above, ECD's Alarm Ordinance Manager has played a key role in the implementation of the alarm ordinance. The resolution to the outstanding litigation issues with the California Alarm Association may prompt changes to how the False Alarm Prevention Program continues to be managed. I anticipate that the potential changes to the Alarm Ordinance Manager's future responsibilities would be to shift the outreach focus from the general public to the 285 companies currently providing service to San Francisco alarm accounts. Otherwise, the set of duties specified above will serve as the basis of ongoing responsibilities for the Alarm Ordinance Manager.

Therefore, I am requesting your support for the release of funds to ensure that ECD has the necessary resources in hand to continue the successful management of the False Alarm Prevention Program.

If you have any additional questions, please feel free to contact me at 415-558-3886, or my Finance Director, William Lee, at 415-558-3866.

Thank you for your attention to this matter.

cc: Glenn Ortiz-Schuldt, Deputy Director, ECD
William Lee, ECD Finance Director
Diane McCarthy, ECD Alarm Ordinance Manager

Attachment II

FALSE ALARM PREVENTION PROGRAM

Emergency Communications Department
Index Code 770020 (1GAGFAAA)

REVENUE:

Object	AAO Approved 2002-03	Actuals 2002-03	Phase B 2003-04	Proposed 2003-04	Board Approved 2003-04	Explanation of Change
606 PUBLIC SAFETY SERV (License Fees)	1,200,000	99,125	1,200,000	600,000	-	Revenue has been transferred to the Police Dept. Index code = 385007
606 PUBLIC SAFETY SERV (Penalty Fines)	750,000	-	750,000	375,000	-	Revenue has been transferred to the Police Dept. Index code = 385007
TOTAL	1,950,000	99,125	1,950,000	975,000	-	

EXPENDITURES:

Object	AAO Approved 2002-03	Actuals 2002-03	Phase B 2003-04	Proposed 2003-04	Board Approved 2003-04	Explanation of Change
010 SALARIES (*)		39,912		83,164	83,164	Position Change: step adjustment: (6,863) Increase in Special Savings: 317 Substitute from index: 770016 1-1232 to 1-0922 Manager I 89,710 83,164
011 OVERTIME	23,734	-	23,734	-	-	direct charge for Police Department for false alarm operation.
013 MFB RETIREMENT (*)	368	4,619	344	15,110	15,110	Changes due to salary changes
040 MATERIAL AND SUPPLIES	3,160	-	3,160	13,160	3,160	Budget Analyst recommendation (10,000)
ECD SUBTOTAL:	**27,262**	**44,531**	**27,238**	**111,434**	**101,434**	
081C9 GF-DTIS (**)	75,000	76,290		75,000	75,000	Funds are budgeted in ECD's overall workorder with DTIS (Index code: 770018)
081PK GF-PARKING & TRAFFIC				31,619	31,619	Above base: Parking Hearing Officer 31,619
081TX GF-TAX COLLECTOR (***)	170,252	93,540	170,252	270,759	229,023	Budget Analyst recommendation (41,736)
SFPD (****)	1,891,974	1,891,974		-	-	Estimated costs for officers to respond to alarm calls.
TOTAL	$ 2,164,488	$ 2,106,334	$ 197,490	$ 488,812	$ 437,076	

Notes for FY 2002-03 Actuals:

* Salary and fringes associated with the Alarm Ordinance Manager were budgeted in ECD's admin division (Index Code: 770018)

** DTIS costs of $150,000 for the development of the alarm database was split between ECD's index 770018 and TTX workorder.

*** TTX workorder budget of $170,252 included a $75,000 allocation for DTIS services as stated in note (**), of which $54,418.08 was spent.

**** SFPD estimated the FY 02-03 costs associated with uniform officers responding to approximately 60,000 alarm calls.

Attachment III
Page 1 of 2

Emergency Communications Department
1011 Turk Street, San Francisco, CA Daniel A. Sullivan, Acting Executive Director
(415) 558-3800 Fax (415) 558-3841

Willie L. Brown, Jr. Mayor

MEMORANDUM

TO: **Harvey Rose**
Board of Supervisors Budget Analyst

FROM: **Daniel A. Sullivan**
Acting Executive Director
Emergency Communications Department

DATE: **December 24, 2003**

RE: **FY 02-03 Revenue Collections**

Per your question regarding the level of revenue collected for the False Alarm Prevention Program during FY 2002-2003, I have outlined the primary reasons for the 5.1% budget recovery as follows:

- The provisions of the Police Emergency Alarm Ordinance approved in June 2002, did not provide for alarm companies to collect license and license renewal fees, but rather placed those responsibilities upon the Treasurer/Tax Collector. Because the alarm companies have the direct accounting relationship with San Francisco alarm users, it would have taken a great deal of resources for the City to locate and contact the estimated 30,000 individual alarm users.

- A working committee made up of representatives from the Treasurer/Tax Collector, Emergency Communications, DTIS, Police and Mayor's Office determined the best approach for implementing the Alarm Ordinance was to prepare an amendment to the ordinance which would transfer the responsibility for the billing and collection of license fees from the Treasurer/Tax Collector to alarm companies. This amendment was approved by the Board of Supervisors in February 2003.

- Due to these new responsibilities for alarm companies, in April 2003, the California Alarm Association filed a lawsuit to dispute the amendment to the alarm ordinance.

- Because of the current litigation, the Treasurer/Tax Collector implemented an interim strategy for the billing and collection of calendar year 2003 license fees. Since the billings did not take place until July 2003, revenues collected for fiscal year 2002-2003 were only 5.1% of the budgeted revenue of 1,950,000.

If you have any additional questions, please feel free to contact me at 415-558-3886, or my Finance Director, William Lee, at 415-558-3866.

Thank you for your attention to this matter.

cc: Glenn Ortiz-Schuldt, Deputy Director, ECD
William Lee, ECD Finance Director
Diane McCarthy, ECD Alarm Ordinance Manager

Attachment IV

Emergency Communications Department
1011 Turk Street, San Francisco, CA Daniel A. Sullivan, Acting Executive Director
(415) 558-3800 Fax (415) 558-3841

Willie L. Brown, Jr. Mayor

MEMORANDUM

TO: **Harvey Rose**
Board of Supervisors Budget Analyst

FROM: **Daniel A. Sullivan**
Acting Executive Director
Emergency Communications Department

DATE: **December 24, 2003**

RE: **Implementation Delays of the False Alarm Prevention Program**

Per your question regarding why the False Alarm Prevention Program is not yet fully-implemented, I have identified the main reasons as follows:

- In July 2003, the Treasurer/Tax Collector implemented an interim strategy for the billing and collection of calendar year 2003 license fees with the expectation that the calendar year 2004 license fees will be handled by the alarm companies.
- Because of the current litigation, it remains to be seen as to whether or not alarm companies comply with the existing provisions of the alarm ordinance.
- Since there are 285 companies currently providing service to San Francisco alarm accounts, full implementation of the False Alarm Prevention Program would imply that all of these companies would be directly billing and collecting license fees. We have determined that a large portion of these companies have not even provided their customer lists to the Treasurer/Tax Collector.

If you have any additional questions, please feel free to contact me at 415-558-3886, or my Finance Director, William Lee, at 415-558-3866.

Thank you for your attention to this matter.

cc: Glenn Ortiz-Schuldt, Deputy Director, ECD
William Lee, ECD Finance Director
Diane McCarthy, ECD Alarm Ordinance Manager

CITY AND COUNTY OF SAN FRANCISCO

DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

Attachment V

WAYNE K. SNODGRASS
Deputy City Attorney

DIRECT DIAL: (415) 554-4675
E-MAIL: wayne_snodgrass@ci.sf.ca.us

MEMORANDUM
PRIVILEGED & CONFIDENTIAL

TO: Robin Courtney, Office of the Budget Analyst

FROM: Wayne Snodgrass, Deputy City Attorney WS

DATE: December 31, 2003

RE: Status of lawsuit challenging Police Emergency Alarm Ordinance (*California Alarm Association et al. v. City and County of San Francisco et al.*)

This is in response to your request concerning the current status of the litigation challenging Ordinance No. 30-03, adopted in February 2003, which amends the City's Police Emergency Alarm Ordinance.

In April 2003, the California Alarm Association – which represents a majority of the alarm companies whose alarm user clients are located in the City – and John Schwenger, an individual alarm user and employee of Bay Alarm Company, filed suit in the San Francisco Superior Court challenging Ordinance No. 30-03 on a wide variety of grounds. The plaintiffs' complaint includes fifteen separate legal claims, most related to the provisions of Ordinance No. 30-03 that impose obligations on alarm companies (as opposed to alarm users).

In May 2003, Superior Court Judge Paul Alvarado denied the plaintiffs' motion for a preliminary injunction against the enforcement of Ordinance No. 30-03. The plaintiffs have appealed from that decision. No date has yet been set for oral argument in that appeal.

While that appeal is pending, the litigation has proceeded in the trial court. In September 2003 Superior Court Judge James Warren granted judgment in the City's favor on five of the plaintiffs' 15 causes of action. Specifically, Judge Warren rejected the plaintiffs' claims that Ordinance No. 30-03 (1) is preempted by the state Alarm Company Act; (2) was adopted in violation of the Brown Act; (3) deprives alarm companies of due process of law; (4) unconstitutionally takes alarm companies' property (their customer lists) without just compensation; and (5) is preempted by the state Uniform Trade Secrets Act. The plaintiffs requested that the court of appeals review Judge Warren's decision while the plaintiffs' remaining 10 legal causes of action are still pending in the trial court, but the court of appeals declined to do so.

The parties are currently in the discovery phase of the litigation.

Please do not hesitate to contact me if you require any further information concerning this case.

Items 9 and 10 – Files 03-1871 and 03-1887

Departments: Department of Human Services (DHS)
Department of Administrative Services, Real Estate Division (RED)
Mayor's Office of Community Development (MOCD)

Items: File 03-1871 - Ordinance appropriating $3,800,000 from the Zygmunt Arendt Gift Fund for the DHS to purchase and renovate the land and building located at 850 Broderick Street. The $3,800,000 is comprised of $3,120,000 for acquisition, closing costs, and $680,000 for renovation of the existing building.

Amount: $3,800,000

Source of Funds: Arendt Estate Gift

Budget: Uses of funds

Acquisition of 850 Broderick Street	$3,100,000
Closing Costs	20,000
Subtotal	$3,120,000
Building Renovations	680,000
Total	$3,800,000

File 03-1887 - Resolution approving and authorizing a Agreement of Purchase and Sale for Real Estate between the City and County of San Francisco and Florence Crittenton Services, a non-profit organization, for the land and building located at 850 Broderick Street at a purchase price of $3,100,000 ($3,120,000 including closing costs), adopting findings that the conveyance is exempt from Environmental Review and is consistent with the City's General Plan and Eight Priority Policies of City Planning Code Section 101.1; and authorizing the Director of Property to execute documents, make certain modifications and take certain actions in furtherance of this resolution.

Location: Assessor's Block No. 23, Lot No. 1156
850 Broderick Street

Buyer: City and County of San Francisco

Seller: Florence Crittenton Services, a non-profit organization

Size of Land and Building: A 2½ story residential care facility containing 32 bedrooms consisting of 16,301 square feet situated on a 13,059 square foot parcel of land

Purchase Price of Land and Building: $3,100,000, or approximately $190.17 per square foot, payable by the City to Florence Crittenton Services, a non-profit organization. The source of the City funds is the Arendt Estate Gift Fund (see Comment No. 1).

Descriptions: File 03-1871 - According to Mr. Dariush Kayhan of the Department of Human Services (DHS), of the requested supplemental appropriation of $3,800,000, $3,120,000 would be expended to purchase 850 Broderick Street ($3,100,00 for the purchase price and $20,000 in closing costs, including $11,690 is for services of the City Attorney's Office). The building consists of approximately 16,301 square feet and is a 2½ story residential care facility containing 32 bedrooms. This facility is owned by Florence Crittenton Services, a non-profit organization, and was operated as a residential care facility for new mothers until August of 2002.[1] Mr. Kayhan states that the DHS will renovate the subject building for the purpose of providing 40 units of permanent supportive housing to homeless, low-income and elderly persons. Mr. Kayhan advises that $680,000 of the requested supplemental appropriation of $3,800,000 would be expended to renovate the building.

File 03-1887 - Approval of this subject resolution would authorize the Director of Property, on behalf of the City, to purchase the subject property located at 850 Broderick Street, consisting of a 2½ story residential care facility containing 32 bedrooms and consisting of 16,301 square feet on a 13,059 square foot parcel of land. The City would purchase the property from Florence Crittenton Services, a non-profit organization, for $3,100,000.

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[1] While the residential care facility has not been operated since August of 2002, according to Mr. Roger Sanders of MOCD, other programs, such as employment training, is conducted at 850 Broderick Street.

The proposed resolution concurs with the order of the Probate Court which provides for the distribution of a total of $3,800,000 from the Arendt Estate Gift Fund for the purchase and renovation of the building located at 850 Broderick Street and provides conditions of the City for the purchase, operation and disposition of the subject property as noted in Comment No. 1 below.

The proposed resolution also adopts the Planning Department's findings that the sale of the subject property does not require California Environmental Quality Act (CEQA) review and is consistent with the General Plan and the Eight Priority Policies of Planning Code Section 101.1.

Comments:

1. The source of funds for the supplemental appropriation of $3,800,000 is the Arendt Estate Gift Fund. According to the Controller's Offices, as of December 10, 2003, this Fund had a balance of $5,020,000. The Arendt Estate Gift Fund is a City special fund consisting of monies from the estate of Mr. Zygmunt Arendt, which in 2003 bequeathed $5,020,000 to the poor and needy people of San Francisco to be administered by the City. According to Ms. Jennifer Williams of the City Attorney's Office, the Arendt Estate Gift Fund is governed by the order of a probate court, which was issued on November 7, 2003. Ms. Williams states that this order would restrict the proposed subject purchase and operation and disposition of 850 Broderick Street as follows:

- The purchase price must not exceed $3,120,000, and $680,000 may be expended for necessary improvements to renovate the building, for a total cost of $3,800,000.
- While the City holds title to the subject property, 40 percent of the beds must be set aside for the most needy seniors and the remaining available beds must be set aside for the poor and needy people of San Francisco. The definition of most needy seniors and the poor and needy people of San Francisco is to be determined by the DHS.
- Should the City choose to sell the property, such sale proceeds would accrue to the City's General Fund, except that the Arendt Estate Gift Fund would be reimbursed its fair share of the final sales price based on the Arendt Estate's total contribution for the land and the building divided by the total cost to purchase and renovate the property, as defined in the court order.

2. According to Roger Sanders of the Mayor's Office of Community Development (MOCD), on April 1, 2003, MOCD provided Florence Crittenton Services with a $500,000 line of credit, which was secured by the subject property located at 850 Broderick Street. Mr. Sanders states that Florence Crittenten Services could request funds from this $500,000 line of credit to cover operating expenses at the residential facility at 850 Broderick. According to Mr. Sanders, currently none of the 32 beds are used at the facility. Mr. Sanders states that MOCD set the interest rate for the $500,000 line of credit based on Bank of America's prime rate plus 2 percent. According to Mr. Sanders, the loan balance is currently $325,000. Mr. Sanders advises that the loan is due on the date of sale of the subject property, or on February 5, 2004, whichever occurs first.

Mr. Sanders further advises that, in addition to the loan of $325,000, MOCD has allocated a total of $139,000 of Community Development Block Grant (CDBG) funds to Florence Crittenten Services, as previously approved by the Board of Supervisors, for renovations to the subject property as follows:

Year	Amount
1997	$77,000
1996	$62,000
Total	$139,000

Mr. Sanders advises that upon approval of the proposed sale of the subject property to the City, Florence Crittenten Services would be required to pay back to MOCD $72,500 of the $139,000 in previously allocated CBDG funds, as noted in Attachment I to this report, provided by Mr. Sanders. Mr. Sanders further advises that the Tax Collector has placed three liens on the subject property, one for the loan, and one for each of the two CDBG grant allocations. According to Mr. Sanders, these three liens will be removed by the Tax Collector when Florence Crittenten Services repays the City the $325,000 loan balance and the $72,500 for the previously allocated CBDG grant allocations. According to Ms. Venessa Henlon of the City Attorney's Office, a condition of the Agreement of Purchase and Sale for Real Estate is that all liens on the property must be paid off and released.

3. According to Mr. Larry Ritter of the Real Estate Division, the Real Estate Division retained Clifford Associates to appraise the subject property in June of 2003. Clifford Associates concluded that the fair market value of 850 Broderick Street, including the land and the building, is $3,100,000 in "as is" condition. Mr. Ritter states that the Real Estate Division concurs with that valuation of fair market value.

4. Attachment II to this report, provided by Mr. Kayhan, describes DHS's plans to provide 40 units of permanent supportive housing to homeless, low-income, and elderly persons in the 850 Broderick Street building by contracting with a non-profit housing developer, a property management firm, and a community based organization. In addition to the one-time purchase and closing costs of $3,120,000, attachment III to this report, provided by Mr. Kayhan and prepared by the Department of Public Works, is an estimated budget and scope of work for the planned one-time building improvements, including developer fees, totaling $4,685,576, therefore resulting in one-time costs of $7,805,576. If the Board of Supervisors approves the acquisition of the subject property, DHS would then issue an RFP to secure an affordable housing developer, and subsequently would issue RFPs to procure property management and supportive services contractors, according to Mr. Kayhan.

5. According to Mr. Kayhan, the total estimated one-time costs for the acquisition and renovation of 850 Broderick Streets is $7,805,576. Of this total amount of $7,805,576, the DHS is requesting $3,800,000, including $680,000 for building renovations, from the Arendt Estate Gift Fund, leaving a balance of $4,005,576 in one-time unidentified funds still needed as follows:

Item	One-time Costs	Funds identified	Unidentified funds
Purchase of 850 Broderick	$3,100,000	$3,100,000	0
Closing costs	20,000	20,000	0
Code required building renovations	1,951,950	680,000	1,271,950
Furnishings and Fixtures	815,531		815,531
Deferred Maintenance	1,517,654		1,517,654
Developer fee	400,441		400,441
Total	$7,805,576	$3,800,000	$4,005,576

6. In Attachment IV to this report, a memorandum also provided by Mr. Kayhan, Mr. Kayhan reports that DHS will retain a non-profit housing agency, yet to be selected, through a competitive process conducted by the DHS, to seek Multifamily Housing Program (MHP) – Supportive Housing Program funds from the California Department of Housing and Community Development (HCD) for the additional estimated $4,005,576 in one-time funding needed to complete the project. According to Mr. Michele Greenlaw of the California Department of Housing and Community Development (HCD), the State HCD presently has $165,300,000 of available Proposition 46 funds to be awarded on a State-wide basis for supportive housing grants.[2] Mr. Greenlaw notes that awards are made on a first come first serve basis to applicants which score above 125 points.

7. In response to the Budget Analyst's concern regarding the $4,005,576 in unidentified one-time funds still needed by the DHS to complete this project, and the uncertainty of a yet to be determined non-profit obtaining funding from the State's Multifamily Housing Program – Supportive Housing, Mr. Kayhan reports in a memorandum (Attachment IV):

> "The #1 fall back strategy to a successful MHP application will most likely be Low Income Housing Tax Credits. The non-profit developer/sponsor will be expected to propose and coordinate viable funding strategies, however, the project would probably be eligible for funding under both the federal (9%) and state (4%) Tax Credit programs. The 9% Tax Credit program is

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[2] California voters approved Proposition 46 – The Housing and Emergency Shelter Trust Fund Act, in 2002.

> highly competitive, much more so than MHP. The 4% program is less competitive but generates less investor equity that can be contributed to the development."

The Budget Analyst notes these potential funding sources are awards given on a competitive basis and are uncertain. Therefore, in order for the DHS to provide 40 units of supportive housing as planned, the DHS still needs to secure an additional $4,005,576 in one-time funding.

8. Attachment V to this report, provided by Mr. Kayhan is the projected annual operating budget for the proposed supportive housing project at 850 Broderick, which Mr. Kayhan anticipates could be constructed and become operational as early as January of 2005. Attachment IV provides a timeline for development. Mr. Kayhan notes that the subject building is currently vacant. As shown in Attachment V, the total estimated annual operating costs are $389,085, including property management and supportive services. As noted in Attachment V, estimated rental income to be paid by the supportive housing residents would generate $209,760 annually, for a total net annual operating cost of $179,325. Mr. Kayhan states that the DHS would apply for State and Federal funding for this annual ongoing cost of $179,325 annually, but that it is possible that DHS may have to request City General Fund monies for such costs.

9. The subject Agreement (File No. 03-1887), requires that the Human Services Commission, the Mayor and the Board of Supervisors, in the respective sole discretion of each, enact resolutions approving, adopting and authorizing this Agreement on or before December 19, 2003. Since such approvals cannot be obtained on or before December 19, 2003, Ms. Henlon advises that an amendment to the proposed Agreement of Purchase and Sale for Real Estate, extending the approval date of the Agreement to February 6, 2004, will be submitted to the Board of Supervisors.

10. According to Mr. Ritter, the Planning Department has determined that the proposed Agreement is in conformance with the City's General Plan and the Eight Priority Policies of the City Planning Code and is Categorically Exempt from Environmental Review.

11. In accordance with Comment Nos. 5 and 7 above, the Budget Analyst considers approval of the proposed subject ordinance and resolution to be policy matters because the DHS (a) has still not identified additional one-time funding of $4,005,576 needed to complete this project, and (b) in accordance with Comment No. 8 above, it is possible that $179,325 in net annual operating costs may need to be requested from the City's General Fund.

Recommendation: Contingent upon submission to the Board of Supervisors of the final Agreement of Purchase and Sale for Real Estate, approval of the proposed ordinance and resolution is a policy matter for the Board of Supervisors.

for Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

Attachment I

To: Harvey Rose, Budget Analyst
From: Roger Sanders, MOCD
Date: December 17, 2003

Subject: Calculation that results in Florence Crittenten Services owing $72,500 to MOCD for repayment of $139,000 of previously allocated CBDG grant funds.

Year	Amount	Date work completed	Amount Owed if sold 2/2004
1997	$77,000	Aug 2002	$53,900
1996	$62,000	Aug 2000	$18,600
	Total $139,000		$72,500

It is a proportionate amount based of five years or 60 months from the date of the last payment.

August 2002 to February 2004=18months
60 months-18months =42months
42/60=70% of time remaining
77,000x70%=$53,900

Attachment II

City and County of San Francisco **Department of Human Services**

Trent Rhorer
Executive Director

Deputy Directors
Janice Anderson Santos
Jim Buick
Sally Kipper

BRODERICK STREET SENIOR SUPPORTIVE HOUSING

December 2003

PURPOSE

To provide 40 units of permanent supportive housing to homeless, low-income, elderly persons (55 or older) at the 850 Broderick Street building. The City of San Francisco will purchase the property and, in partnership with a community-based organization and property management firm, provide on site supportive and property management services.

TARGET POPULTION

Homeless low-income seniors (55 and older) that are clients of the Department of Human Services' Emergency Shelter Program. Housing ready clients will be referred to Broderick Street Senior Supportive Housing for an intake interview after working with shelter case management staff and securing stable income.

LOCATION AND TIME OF SERVICES:

Services shall be provided at the Broderick Street Senior Supportive Housing Building.

SERVICES TO BE PROVIDED:

Description of Property Management:

The Department of Human Services will contract with an established property management firm to provide services at the Broderick Street Building. These services will include, but are not limited to: rent collection, enforcement of lease, building security, recording keeping (including property management files), fiscal management, building cleaning, maintenance and repair, desk clerk staffing and partnering with support services staff in interviewing prospective tenants.

Description of Service Model:

The Department of Human Services will contract with a community based organization to provide case management services including engagement, assessment, problem solving, linkages, goal setting, counseling, referrals to off-site services and regular community activities The support service staff will participate in interviewing prospective tenants and developing engagement strategies in order to meet each person as he/she moves in. Staff will develop a variety of service options and opportunities to engage tenants.

INITIAL CONSTRUCTION COST IMPACT REPORT

GRAND TOTAL* (A + B + C+D) $ 4,685,576

A MINIMUM CODE REQUIRED IMPROVEMENTS (40 BEDS) $ 1,951,950

#	DESCRIPTION	QUANT.	COST	UNIT	EXTENSION
1.01	HAZMAT ALLOWANCE (GENERAL)	1	$ 90,000	LS	$ 90,000
1.02	REMOVE STEEL GATE/NEW ADA RAMP @ FRONT ENTRY	1	$ 68,000	LS	$ 68,000
1.03	PROVIDE (N) ELEVATOR AND MACHINE ROOM	1	$ 262,000	LS	$ 262,000
1.04	ADD DOOR AT 1ST FLR. SUITE AT END OF CORRIDOR	1	$ 5,000	LS	$ 5,000
1.05	REMOVE & REPLACE (E) LIGHT FIXTURES, ELECTRICAL RECEPTACLES & SWITCHES @ ADA RMS.1ST FLR.10%	1	$ 7,800	LS	$ 7,800
1.06	REPLACE 5 SLEEPING ROOM WDO'S TO CONFORM TO "ESCAPE WINDOW" REQUIREMENTS @ 1ST FLR. ADA RMS.	5	$ 2,500	EA	$ 12,500
1.07	REPLACE (E) TILE TOPPING @ 2ND FLR. PATIO	1	$ 75,000	LS	$ 75,000
1.08	MODIFY 3 REST ROOMS + SHOWER @ 1ST FLR.	1	$ 115,850	LS	$ 115,850
1.09	MODIFY 2 REST ROOMS + SHOWER @ 2ND FLR.	1	$ 82,750	LS	$ 82,750
1.10	REPLACE CORRIDOR CLG'S. W/ 2 LAYERS OF FIRE RATED GYPSUM WALL BOARD.	1	$ 26,000	LS	$ 26,000
1.11	MODIFY HVAC TO MEET VENTILATION CODE REQUIREMENTS	1	$ 320,000	LS	$ 320,000
1.12	REPLACE EXIT SIGNS	10	$ 300	EA	$ 3,000
1.13	DEMO (E) FIRE-ALARM SYSTEM & REPLACE W/(N) LIFE SAFETY SYSTEM TO COMPLY W/ ADA	1	$ 65,000	LS	$ 65,000
1.14	ALLOWANCE - MODIFY 5 DOORS PER 18" ADA SIDE REACH REQMT. @ 1ST FLR.	1	$ 10,000	LS	$ 10,000
1.15	PLUMBING INSPECTOR'S NOTES	1	$ 2,600	LS	$ 2,600
1.16	UPGRADE DRYER VENTS	1	$ 1,500	LS	$ 1,500
1.17	RE-CERTIFY (E) HOOD FIRE SUPPRESSION SYSTEM	1	$ 4,000	LS	$ 4,000
1.18	RE-CERTIFY (E) AUTOMATIC FIRE SPRINKLER SYSTEM	1	$ 2,000	LS	$ 2,000
1.19	REPLACE (E) KITCHEN HOOD EXHAUST FAN	1	$ 5,000	LS	$ 5,000
1.20	ALLOWANCE - MODIFY KITCHEN TO PROVIDE MINIMAL ACCESSIBILITY	1	$ 25,000	LS	$ 25,000
1.21	65% SOFT COSTS & CONTINGENCY	1	$ 768,950	LS	$ 768,950

B FURNISHINGS AND FIXTURES $ 815,531

#	DESCRIPTION	QUANT.	COST	UNIT	EXTENSION
3.01	REMOVE & REPLACE 80 % LIGHT FIXTURES, ELECTRICAL RECEPTACLES & SWITCHES	1	$ 62,400	LS	$ 62,400
3.02	BRACE ROOF PARAPET	96	$ 1,000.00	EA.	$ 96,000
3.03	REPLACE BALANCE OF SLEEPING ROOM WDO'S TO CONFORM TO "ESCAPE WINDOW" REQUIREMENTS	25	$. 2,500	EA	$ 62,500
3.04	LOWER WINDOW SILLS TO 44 INCHES	14	$ 3,660	LS	$ 51,240
3.05	ALLOWANCE - NEW FINISHES DISTURBED BY STRUCTURAL: ROOM INTERIOR & EXTR. BRICK VENEER.	14	$ 15,000	EA	$ 210,000
3.06	ALLOWANCE - MODIFY BALANCE OF DOORS PER 18" ADA SIDE REACH REQMT	1	$ 20,000	LS	$ 20,000
3.07	65% SOFT COSTS & CONTINGENCY	1	$ 313,391	LS	$ 313,391

C DEFERRED MAINTENANCE $ 1,517,654

#	DESCRIPTION	QUANT.	COST	UNIT	EXTENSION
4.01	DEMO (E) ROOF & INSTALL (N) ROOF	8130	$ 8	SF	$ 65,040
4.02	HAZMAT ALLOWANCE (FOR ROOF)	1	$ 30,000	LS	$ 30,000
4.03	(N) BLDG. ELECT. SYS. & DEMO (E)	1	$ 550,000	LS	$ 550,000
4.04	REPLACE (E) DOMESTIC HOT WATER SYSTEM	1	$ 12,000	LS	$ 12,000
4.05	MODIFY BALANCE OF REST ROOMS & SHOWERS	1	$ 82,750	LS	$ 82,750
4.06	PG&E: RELOCATED & UNDERGROUND (N) ELECTRICAL SERVICE	1	$ 180,000	LS	$ 180,000
4.07	65% SOFT COSTS & CONTINGENCY	1	$ 597,864	LS	$ 597,864

D DEVELOPER FEE $ 400,441

* EXCLUDES DELTA INCREMENT FOR FULL SEISMIC UP-GRADE: APPROXIMATELY $750,000.

Source: DPW, Initial Cost Estimate, June 27, 2003

Note: Cost estimate has been altered to delete adding 6 bedrooms in the basement, which DHS has decided against.

ity and County of San Francisco Department of Human Services

Trent Rhorer
Executive Director

Deputy Directors
Janice Anderson Santos
Jim Buick
Sally Kipper

MEMORANDUM

O: ELAINE FORBES
ROM: DARIUSH KAYHAN
UBJECT: 850 BRODERICK STREET
ATE: 12/10/03

laine, per your request yesterday afternoon, I am responding to your questions via this memo.

) Describe the revenue source from the tenants.

enants will be referred to the housing after securing stable income. That income will come from a range of ources, including: Supplemental Security Income, Social Security Disability Insurance, Veterans Administration enefits, employment and/or the County Adult Assistance Program.

) Describe the MHP capital fund: 1) when can we apply; b) why we think we will get these funds; c) what is ur fall back strategy if we don't get the Prop 46 funds.

HP is the Multifamily Housing Program of the California Department of Housing and Community Development HCD). Funds for MHP are provided under the Housing and Emergency Shelter Trust Fund Act of 2002 Proposition 46). There are two funding components under MPH: 1) General MHP funding, from which a variety f non-supportive housing projects may be funded, and 2) MHP – Supportive Housing, from which both upportive housing and mixed (supportive housing and non-supportive housing in the same project) projects may e funded. The Broderick project is a supportive housing development. The 2003-2004 Notice of Funding vailability for MHP-Supportive Housing was released on August 15, 2003, announcing $25 million in funding or supportive housing units and $5 million in funding for non-residential space for supportive services. The funds re available for permanent financing only, and may be used to "take-out" construction loans for construction (capital costs).

a) Applications can be submitted for MHP funds on an over-the-counter basis, first-come first-served, until June 30, 2004, unless HCD thinks it has received enough fundable applications to use up the $25 million prior to that date.

b) Aside from the fact that the MHP-Supportive Housing component has been under subscribed and HCD is vigorously soliciting applications, the 850 Broderick project has a very good chance of receiving MHP-Supportive Housing funds because it will meet the funding criteria:

- the developer/sponsor will have site control;
- it will serve a population that is homeless, or at risk of homelessness;
- it will serve a population with disabilities that are invariably attendant to homelessness (mental, physical, and developmental);
- the developer, property manager, and service provider(s) will be experienced;

The basic funding eligibility criteria noted above will be further enhanced by:

- the designation of 100% supportive housing units (MPH only requires 35%);
- the availability of support services funding.

Per a conversation I had with Mike Greenlaw of HCD, there was a total of $195 million allocated to this fund when Prop 46 was passed. Of that amount, a total of $16 million has been committed under the first NOFA.
The current (second) NOFA carves an additional $25 million out of the original $195 million allocation. Eight (8) applications have been submitted under this second NOFA of which four (4) are currently being considered. Mr. Greenlaw said that even if all 8 applications were awarded there is “no need to worry” about future funding as HCD would either supplement the current "over the counter" NOFA, or issue a new NOFA with the funds remaining in the $195 million allocation.

c) The #1 fall back strategy to a successful MHP application will most likely be Low Income Housing Tax Credits. The non-profit developer/sponsor will be expected to propose and coordinate viable funding strategies, however, the project would probably be eligible for funding under both the federal (9%) and state (4%) Tax Credit programs. The 9% Tax Credit program is highly competitive, much more so than MHP. The 4% program is less competitive but generates less investor equity that can be contributed to the development.

3) Describe our assurance that this purchase meets the requirements of the Arendt fund including any restrictions on the fund.

The court order regarding the Arendt Fund is consistent with this proposed use of funds. In addition, the Board of Supervisors passed a resolution stating that providing housing and housing services to the poor and needy is consistent with the terms of the Arendt will.

4) Describe the plan for the tenants living at the 850 Broderick building now including how they would be relocated while the building is under construction.

There are no tenants currently living the building; it is 100% vacant.

5) Provide a schedule of the application and contrsruction time line.

Attached to this memo.

850 BRODERICK TIMELINE

Approval for Acquisition Received	12/17/03
RFQ for Non-profit Developer Released	12/29/03
Architect Scope of Services Negotiated/Finalized	01/09/04
Developer RFQ Response Received	01/16/04
Agreement/MOU With Developer Executed	02/13/04
Schematic Design Completed	02/15/04
Contractor Solicitation Released	02/17/04
Application for MHP Funds Submitted	03/01/04
Contractor Short-List Interviews	03/08/04
Contractor Selection Finalized	03/15/04
Design Development Docs Completed	03/16/04
Contractor Negotiations Finalized	03/26/04
MHP Award Notification Received	4/15/04
Contractor Agreement Executed	04/16/04
Construction Docs Completed	05/01/04
Bid Docs Completed	05/31/04
Permits Pulled	07/13/04
Notice to Proceed Issued	07/14/04
Construction Start	07/15/04
Construction Complete	01/01/05

Attachment V.

Broderick Street Senior Supportive Housing

Operating Budget

Property Supervisor (.15 FTE) @ $45,000	$	6,750
Resident Manager	$	35,000
Desk Clerks	$	90,000
Benefits (@ 22%)	$	35,585
Custodial contract	$	24,000
Utilities	$	45,000
Supplies	$	4,000
Pest Control	$	2,000
Building maintenance	$	20,000
Insurance	$	12,000
Elevator Maintenance	$	4,800
Legal fees	$	10,000
Accounting/ Audit costs	$	5,000
Office equipment	$	4,500
Replacement furniture	$	4,800
Landscape maintenance	$	3,200
Staff Training	$	1,200
Operating Budget Total	$	307,835

Support Service Budget

Support Service Manager (.25 FTE @ $45,000)	$	11,250
Activities Coordinator (.5 @ $35,000)	$	17,500
Case Manager (1 FTE)	$	35,000
Benefits @ 22%	$	15,000
Supplies/Activities	$	2,500
Support Service Budget Total	$	81,250
TOTAL BUDGET	$	389,085
Rental Income	$	209,760
TOTAL REVENUE	$	209,760
ANNUAL ADDITIONAL COST (TOTAL BUDGET LESS REVENUE)	$	179,325

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BOARD of SUPERVISORS

Dr. Carlton B.
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Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 544-5227

NOTICE OF CANCELLED MEETING

FINANCE AND AUDITS COMMITEE

SAN FRANCISCO BOARD OF SUPERVISORS

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NOTICE IS HEREBY GIVEN that the meeting of the Finance and Audits Committee scheduled for January 14, 2004 at 12:30 p.m., at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, has been **cancelled**.

Gloria L. Young, Clerk of the Board

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City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, January 28, 2004 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

MEETING CONVENED

.251
8/04

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The meeting convened at 12:38 p.m.

REGULAR AGENDA

032028 **[Lease of Real Property - 10 United Nations Plaza]**

Supervisors Maxwell, McGoldrick

Resolution authorizing a lease of approximately 8,105 square feet of space at 10 United Nations Plaza for the Department of Child Support Services for a term of six years.

(Public Benefit Recipient.)

12/16/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Steve Legnitto, Real Estate Division; Harvey Rose, Budget Analyst.
1/28/04 At page 1 line 18 after "approximately" replace "$21.00" with "$20.88" and after "or" replace "$1.75" with "$1.74".

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031990 [Business Tax]

Supervisors McGoldrick, Ma

Ordinance amending the Business and Tax Regulations Code to: (1) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) conform Article 12-A (Payroll Expense Tax Ordinance) with the amendments to Article 6 (Common Administrative Provisions) and (ii) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to Article 12-A (Payroll Expense Tax Ordinance) and other Articles of the Business and Tax Regulation Code, and place them in Article 6 (Common Administrative Provisions); (2) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 6 (Common Administrative Provisions); and (3) amend Article 6 (Common Administrative Provisions) to (i) clarify common administrative provisions and conform them with amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 12 (Business Registration Ordinance), (ii) consolidate exemptions, definitions and other administrative provisions that apply to Article 12-A (Payroll Expense Tax Ordinance), Article 12 (Business Registration Ordinance) and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review. (Treasurer-Tax Collector)

12/9/03, ASSIGNED UNDER 30 DAY RULE to Finance and Audits Committee, expires on 1/8/2004.

Heard in Committee. Speakers: Susan Leal, Treasurer and Tax Collector; Harvey Rose, Budget Analyst. 1/28/04 Amendment of the Whole bearing same title.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

032011 **[BART Payment for MUNI Transfer Trips]**

Resolution approving an Agreement between the City and County of San Francisco (the "City") and the Bay Area Rapid Transit District ("BART") authorizing payment to the Municipal Transportation Agency ("MTA") for transfer trips provided by the Municipal Railway in FY 2003-2004. (Municipal Transportation Agency)

(No Public Benefit Recipient.)

12/11/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/7/04, SEVERED FROM COMMITTEE CONSENT AGENDA. Supervisor Peskin requested this item be severed so it could be considered separately.

1/7/04, CONTINUED. Heard in Committee. Speakers: Ann Carey, MUNI; Joe Speaks, Municipal Transit Authority; Kimberly White, BART; Bob Planthold; Bruce Oka; Jeanne Lynch.
Continued to 1/28/04.

Heard in Committee. Speaker: Bruce Oka.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031988 **[Interdepartmental Transfer - Block 2870, Lot 48]**

Supervisor Dufty

Ordinance transferring jurisdiction of the real property identified as Assessor's Block 2870, Lot 48, from the Department of Public Works to the Recreation and Park Department; adopting findings that the transfer is consistent with the General Plan and Section 101.1 of the Planning Code, and requesting official actions in connection with this Ordinance.

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/7/04, CONTINUED. Heard in Committee. Speakers: Jean Mirado; Jim Keith, Spiers Construction.
Continued to 1/28/04.

Speakers: None.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031609 **[Authorizing an alternative procedure for establishing property and business improvement districts]**

Supervisor Peskin

Ordinance amending Article 15 of the Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessment; authorizing such districts to be formed for a term of up to 20 years; authorizing such districts to encompass and assess residential property, and repealing Sections 1513 through 1591.

9/23/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

12/10/03, CONTINUED. Heard in Committee. Speakers: Gwen Kaplan, Small Business Commission; Harvey Rose, Budget Analyst; David Greenburg, Deputy City Attorney; Linda Mjellem, NOMNIC; David Overdorf; Shawn Collins; Elaine Zamora, NOMNIC; Teresa Garcia, MEDA; Jose Corona, MEDA; Philip Lesser, Mission Merchants Association; Luis Grandos, MEDA; Richard Allman; John Malloy, Lower Polk Neighbors; Ken Cleaveland, BOMA; Jeffrey Leibovitz.
Continued to 1/7/04.

1/7/04, CONTINUED. Speakers: None.
Continued to 1/28/04.

1/26/04, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review.

1/26/04, RESPONSE RECEIVED. Exempt from CEQA. Non-physical exemption CEQA Guidelines, Section 15060 (c)(3) and Section 15378.

Speakers: None.
1/28/04 Amendment of the Whole bearing new title.
Continued to 2/4/04.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

Ordinance amending Article 15 of the Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessment; authorizing such districts to be formed for a term of up to 20 years; authorizing such districts to encompass and assess residential property, and repealing Sections 1513 through 1591, and making environmental findings.

CONTINUED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031598 **[First Amendment to Lease of SFPUC Property for Operation of a Public Golf Course and Related Facilities]**

Supervisor McGoldrick

Resolution authorizing a First Amendment to Lease of Public Utilities Commission Land between the City and County of San Francisco and Crystal Springs Golf Partners, L.P., in San Mateo County. (Public Utilities Commission)

(Fiscal impact; Public Benefit Recipient.)

9/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/7/04, CONTINUED. Heard in Committee. Speakers: Gary Dowd, SFPUC; Harvey Rose, Budget Analyst; Thomas Issak and John Telischak, Crystal Springs Golf Partners.
Continued to 1/28/04.

Heard in Committee. Speakers: Gary Dowd, SFPUC; Harvey Rose, Budget Analyst; John Telischak, Crystal Springs Golf Partners.
1/28/04 At page 1 line 19 add: "FURTHER RESOLVED that the Board of Supervisors approval of this lease is conditioned on the inclusion of a specific lease provision that the Tenant shall be obligated to expend an aggregate amount of not less than Two Million Dollars ($2,000,000), in connection with completing capital improvements during the term of the lease."

AMENDED.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

031985 **[Appropriate funding for the Laguna Honda Hospital Replacement Program]**

Mayor, Supervisors Hall, Sandoval, McGoldrick

Ordinance appropriating $215,147,086 of General Obligation Bond proceeds, $1,046,158 in bond interest, $15,992,796 in tobacco settlement revenues, and $5,072,941 of interest earnings on tobacco settlement revenue for a total of $237,258,981 to fund the Laguna Honda Replacement Program for the Public Health Department for fiscal year 2003-04.

(Fiscal impact.)

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/12/04, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review.

1/21/04, RESPONSE RECEIVED. Statutory exemption pursuant to CEQA Guidelines Section 15273 - Rates, Tolls, Fines and Charges. Underlying project was evaluated in a Final EIR certified on 6/27/02, Case No. 2000.0005E.

Heard in Committee. Speakers: Monique Moyer, Mayor's Office of Public Finance; Monique Zmuda, Controller's Office; Michael Lane, Laguna Honda Hospital Replacement Project; Harvey Rose, Budget Analyst.
1/28/04 Amendment of the Whole bearing new title.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance appropriating $189,427,586 of General Obligation Bond proceeds, $1,046,158 in bond interest, $15,992,796 in tobacco settlement revenues, and $5,072,941 of interest earnings on tobacco settlement revenue for a total of $211,539,481 to fund the Laguna Honda Replacement Program for the Public Health Department for fiscal year 2003-04.

(Fiscal impact.)

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

031986 **[Laguna Honda Hospital General Obligation Bond Issuance]**

Mayor, Supervisors Hall, Sandoval, McGoldrick

Ordinance providing for the issuance of not to exceed $299,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Laguna Honda Hospital, 1999); providing that such bonds may be issued as fixed or variable interest rate obligations; providing for the levy of a tax to pay the principal and interest of said bonds and authorizing payment of bonds from other legally available funds of the City; authorizing the execution of a Master Trust Agreement and Declaration of Trust which provide for the terms of said bonds; providing for the appointment of depositories and other agents of said bonds; ratifying certain actions previously taken; and granting general authority to city officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds.

(Fiscal impact.)

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/12/04, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review.

1/21/04, RESPONSE RECEIVED. Statutory exemption pursuant to CEQA Guidelines Section 15273 - Rates, Tolls, Fines and Charges. Underlying project was evaluated in a Final EIR certified on 6/27/02, Case No. 2000.0005E.

Heard in Committee. Speakers: Monique Moyer, Mayor's Office of Public Finance; Monique Zmuda, Controller's Office; Michael Lane, Laguna Honda Hospital Replacement Project; Harvey Rose, Budget Analyst.

1/28/04 Amendment of the Whole bearing same title.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031987 **[Laguna Honda Hospital General Obligation Bond Sale]**

Mayor, Supervisors Hall, Sandoval, McGoldrick

Resolution authorizing and directing the sale of an issue of not to exceed $230,000,000 City and County of San Francisco General Obligation Bonds (Laguna Honda Hospital, 1999); approving the forms of an Official Notice of Sale and a Notice of Intention to Sell Bonds; providing that such Bonds may be sold pursuant to a competitive or negotiated sale and as fixed or variable interest rate obligations; authorizing the City's compliance with a Continuing Disclosure Certificate; approving the form and execution of an Auction Agreement, a Broker-Dealer Agreement, a Market Agent Agreement, a Bond Purchase Contract, a Remarketing Agreement, a Standby Purchase Agreement and an Official Statement; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to city officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said Bonds.

(Fiscal impact.)

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/12/04, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review.

1/21/04, RESPONSE RECEIVED. Statutory exemption pursuant to CEQA Guidelines Section 15273 - Rates, Tolls, Fines and Charges. Underlying project was evaluated in a Final EIR certified on 6/27/02, Case No. 2000.0005E.

Heard in Committee. Speakers: Monique Moyer, Mayor's Office of Public Finance; Monique Zmuda, Controller's Office; Michael Lane, Laguna Honda Hospital Replacement Project; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031698 **[Approval of the Amended Ground Lease for the Rincon Park Restaurants Project]**

Supervisor McGoldrick

Resolution approving the Amended Ground Lease between the Port Commission and JMA Waterfront Properties, LLC, a Delaware limited liability company, for the Rincon Park Restaurants Project, located on The Embarcadero between Howard and Folsom Streets, for a total term, including renewal options, of sixty years. (Port)

(Public Benefit Recipient.)

10/3/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Byron Rhett, Kari Kilstrom, Kirk Bennett, Port; Jim Haase; Jules Martin; Judith Patterson; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031960 **[Establishing administrative penalties and procedures for violations of the full-time driving requirement and for violations of the Taxi Commission's rules and regulations]**

Ordinance amending the San Francisco Police Code by adding Sections 1186, 1187, and 1188, to restate the full-time driving requirement, and to establish administrative penalties and procedures for violations of the full-time driving requirement and for violations of the Taxi Commission's rules and regulations. (Taxi Commission)

(No Public Benefit Recipient.)

11/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Naomi Little, Taxi Commission; Barry Taranto; Thomas Owen, Deputy City Attorney.

Continued to 2/11/04.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

CONTINUED AS AMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031827 **[Airport Concession Lease]**

Supervisor McGoldrick

Resolution approving Amendment No. 2 to the Boarding Areas "B" and "C" Principal Retail Concession Lease No. 98-0228 between Pacific Gateway Concessions, LLC, and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

(No Public Benefit Recipient.)

10/24/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Cathy Widener, Airport Commission; Harvey Rose, Budget Analyst; Frank De La Cruz, Pacific Gateway Concessions.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

ADJOURNMENT

The meeting adjourned at 3:13 p.m.

City and County of San Francisco
Meeting Agenda
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, January 28, 2004 **12:30 PM** **City Hall, Room 263**

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Regular Meeting

ↄ.25/
8/04

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

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AGENDA CHANGES

REGULAR AGENDA

1. 032028 **[Lease of Real Property]**

Supervisor Maxwell

Resolution authorizing a lease of approximately 8,105 square feet of space at 10 United Nations Plaza for the Department of Child Support Services for a term of six years.

(Public Benefit Recipient.)

12/16/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

2. 031990 **[Business Tax]**

Supervisor Ma

Ordinance amending the Business and Tax Regulations Code to: (1) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) conform Article 12-A (Payroll Expense Tax Ordinance) with the amendments to Article 6 (Common Administrative Provisions) and (ii) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to Article 12-A (Payroll Expense Tax Ordinance) and other Articles of the Business and Tax Regulation Code, and place them in Article 6 (Common Administrative Provisions); (2) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 6 (Common Administrative Provisions); and (3) amend Article 6 (Common Administrative Provisions) to (i) clarify common administrative provisions and conform them with amendments to Article 12-A (Payroll Expense Tax Ordinance) and Article 12 (Business Registration Ordinance), (ii) consolidate exemptions, definitions and other administrative provisions that apply to Article 12-A (Payroll Expense Tax Ordinance), Article 12 (Business Registration Ordinance) and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review.

12/9/03, ASSIGNED UNDER 30 DAY RULE to Finance and Audits Committee, expires on 1/8/2004.

3. 032011 **[BART Payment for MUNI Transfer Trips]**

Resolution approving an Agreement between the City and County of San Francisco (the "City") and the Bay Area Rapid Transit District ("BART") authorizing payment to the Municipal Transportation Agency ("MTA") for transfer trips provided by the Municipal Railway in FY 2003-2004. (Municipal Transportation Agency)

(No Public Benefit Recipient.)

12/11/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/7/04, SEVERED FROM COMMITTEE CONSENT AGENDA. Supervisor Peskin requested this item be severed so it could be considered separately.

1/7/04, CONTINUED. Heard in Committee. Speakers: Ann Carey, MUNI; Joe Speaks, Municipal Transit Authority; Kimberly White, BART; Bob Planthold; Bruce Oka; Jeanne Lynch.
Continued to 1/28/04.

4. 031988 **[Interdepartmental Transfer - Block 2870, Lot 48]**

Supervisor Dufty

Ordinance transferring jurisdiction of the real property identified as Assessor's Block 2870, Lot 48, from the Department of Public Works to the Recreation and Park Department; adopting findings that the transfer is consistent with the General Plan and Section 101.1 of the Planning Code, and requesting official actions in connection with this Ordinance.

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/7/04, CONTINUED. Heard in Committee. Speakers: Jean Mirado; Jim Keith, Spiers Construction.
Continued to 1/28/04.

5. 031609 **[Authorizing an alternative procedure for establishing property and business improvement districts]**

Supervisor Peskin

Ordinance amending Article 15 of the Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessment; authorizing such districts to be formed for a term of up to 20 years; authorizing such districts to encompass and assess residential property, and repealing Sections 1513 through 1591.

9/23/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

12/10/03, CONTINUED. Heard in Committee. Speakers: Gwen Kaplan, Small Business Commission; Harvey Rose, Budget Analyst; David Greenburg, Deputy City Attorney; Linda Mjellem, NOMNIC; David Overdorf; Shawn Collins; Elaine Zamora, NOMNIC; Teresa Garcia, MEDA; Jose Corona, MEDA; Philip Lesser, Mission Merchants Association; Luis Grandos, MEDA; Richard Allman; John Malloy, Lower Polk Neighbors; Ken Cleaveland, BOMA; Jeffrey Leibovitz.
Continued to 1/7/04.

1/7/04, CONTINUED. Speakers: None.
Continued to 1/28/04.

6. 031598 **[First Amendment to Lease of SFPUC Property for Operation of a Public Golf Course and Related Facilities]**

Resolution authorizing a First Amendment to Lease of Public Utilities Commission Land between the City and County of San Francisco and Crystal Springs Golf Partners, L.P., in San Mateo County. (Public Utilities Commission)

(Fiscal impact; Public Benefit Recipient.)

9/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/7/04, CONTINUED. Heard in Committee. Speakers: Gary Dowd, SFPUC; Harvey Rose, Budget Analyst; Thomas Issak and John Telischak, Crystal Springs Golf Partners.
Continued to 1/28/04.

7. 031985 **[Appropriate funding for the Laguna Honda Hospital Replacement Program]**

Mayor

Ordinance appropriating $215,147,086 of General Obligation Bond proceeds, $1,046,158 in bond interest, $15,992,796 in tobacco settlement revenues, and $5,072,941 of interest earnings on tobacco settlement revenue for a total of $237,258,981 to fund the Laguna Honda Replacement Program for the Public Health Department for fiscal year 2003-04.

(Fiscal impact.)

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/12/04, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review.

1/21/04, RESPONSE RECEIVED. Statutory exemption pursuant to CEQA Guidelines Section 15273 - Rates, Tolls, Fines and Charges. Underlying project was evaluated in a Final EIR certified on 6/27/02, Case No. 2000.0005E.

8. 031986 **[Laguna Honda Hospital General Obligation Bond Issuance]**

Mayor, Supervisor Hall

Ordinance providing for the issuance of not to exceed $299,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Laguna Honda Hospital, 1999); providing that such bonds may be issued as fixed or variable interest rate obligations; providing for the levy of a tax to pay the principal and interest of said bonds and authorizing payment of bonds from other legally available funds of the City; authorizing the execution of a Master Trust Agreement and Declaration of Trust which provide for the terms of said bonds; providing for the appointment of depositories and other agents of said bonds; ratifying certain actions previously taken; and granting general authority to city officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds.

(Fiscal impact.)

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.
1/12/04, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review.
1/21/04, RESPONSE RECEIVED. Statutory exemption pursuant to CEQA Guidelines Section 15273 - Rates, Tolls, Fines and Charges. Underlying project was evaluated in a Final EIR certified on 6/27/02, Case No. 2000.0005E.

9. 031987 **[Laguna Honda Hospital General Obligation Bond Sale]**

Mayor, Supervisor Hall

Resolution authorizing and directing the sale of an issue of not to exceed $230,000,000 City and County of San Francisco General Obligation Bonds (Laguna Honda Hospital, 1999); approving the forms of an Official Notice of Sale and a Notice of Intention to Sell Bonds; providing that such Bonds may be sold pursuant to a competitive or negotiated sale and as fixed or variable interest rate obligations; authorizing the City's compliance with a Continuing Disclosure Certificate; approving the form and execution of an Auction Agreement, a Broker-Dealer Agreement, a Market Agent Agreement, a Bond Purchase Contract, a Remarketing Agreement, a Standby Purchase Agreement and an Official Statement; approving modifications to documents; ratifying certain actions previously taken; and granting general authority to city officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said Bonds.

(Fiscal impact.)

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.
1/12/04, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review.
1/21/04, RESPONSE RECEIVED. Statutory exemption pursuant to CEQA Guidelines Section 15273 - Rates, Tolls, Fines and Charges. Underlying project was evaluated in a Final EIR certified on 6/27/02, Case No. 2000.0005E.

10. 031698 **[Approval of the Amended Ground Lease for the Rincon Park Restaurants Project]**

Resolution approving the Amended Ground Lease between the Port Commission and JMA Waterfront Properties, LLC, a Delaware limited liability company, for the Rincon Park Restaurants Project, located on The Embarcadero between Howard and Folsom Streets, for a total term, including renewal options, of sixty years. (Port)

(Public Benefit Recipient.)

10/3/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

11. **031960** **[Establishing administrative penalties and procedures for violations of the full-time driving requirement and for violations of the Taxi Commission's rules and regulations]**

Ordinance amending the San Francisco Police Code by adding Sections 1186, 1187, and 1188, to restate the full-time driving requirement, and to establish administrative penalties and procedures for violations of the full-time driving requirement and for violations of the Taxi Commission's rules and regulations. (Taxi Commission)

(No Public Benefit Recipient.)

11/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

12. **031827** **[Airport Concession Lease]**

Resolution approving Amendment No. 2 to the Boarding Areas "B" and "C" Principal Retail Concession Lease No. 98-0228 between Pacific Gateway Concessions, LLC, and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

(No Public Benefit Recipient.)

10/24/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Finance and Audits Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language translation at a meeting must be received no later than noon the Friday before the meeting. Contact Ohn Myint at (415) 554-7704.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 *必須在會議前最少四十八小時提出要求*
請電 (415) 554-7701

Disability Access

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

All meetings are real-time captioned and are cablecast open-captioned on SF Cable 26.

The following services are available when requested 48 hours before the Committee meeting. This advance notice will help ensure availability.

- For American Sign Language interpreters or use of a reader during a meeting, contact Ohn Myint at (415) 554-7704.
- For a large print copy of agenda or minutes in alternative formats, contact Annette Lonich at (415) 554-7706.
- Assistive listening devices are available from the receptionist in the Clerk of the Board's Office, Room 244, prior to the meeting.
- The Clerk of the Board's Office TTY number is (415) 554-5227.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org

Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

FINANCE AND AUDITS COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

[Budget Analyst Report]
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BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

January 22, 2004

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: January 28, 2004 Finance and Audits Committee Meeting

Item 1 - File 03-2028

Department: Department of Child Support Services (DCSS)
Department of Administrative Services, Real Estate Division (RED)

Item: Resolution authorizing a new six-year lease of real property at 10 United Nations Plaza, Suites 150 and 420, for the Department of Child Support Services.

Location: 10 United Nations Plaza, Suites 150 and 420, San Francisco

Purpose of Lease: To provide office and computer training space for the implementation of the Statewide child support automation system. A 1988 Federal law requires the State of California to develop a single Statewide child support automation system to track Court-ordered child support payments. Ms. Karen Roye of the Department of Child Support Services (DCSS) states that the implementation of the Statewide child support automation system will be entirely funded by the State at an estimated annual cost of $2,535,407 over a five-year period. According to Ms. Roye, this annual cost is already included in the FY 2003-2004 DCSS budget.

The existing CASES system[1], developed and presently utilized in San Francisco to track Court-ordered child support payments, will continue to be temporarily used as the Statewide system until the new Statewide child support automation system, which will replace CASES, is fully implemented in approximately 2009. According to

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[1] The San Francisco's child support automation system for tracking child support payments is called CASES, which was independently developed in 1988 by the City and County of San Francisco's District Attorney Family Support Bureau (now the Department of Child Support Services).

Ms. Roye, presently 39 counties are already using the San Francisco CASES system, and 16 counties need to be converted into the CASES system, for a total of 55 counties. Mr. Royes states that personnel of the 39 CASES-converted counties were trained in Sacramento by a team of San Francisco and State DCSS employees over a 15-year period. The San Francisco DCSS will provide training to expand the San Francisco's CASES system in the other 16 counties and to implement the new Statewide child support automation system in all 55 counties by 2009.

The proposed lease will provide (i) office space for personnel to expand the existing CASES system to 16 counties and for assisting the State in developing the new single Statewide child support automation system, and (ii) a facility for training personnel from each of the 16 counties remaining to be converted into CASES and for training each of the total of 55 counties on the new Statewide child support automation system.

Lessor: FOSTER/UN, LLC

Lessee: City and County of San Francisco on behalf DCSS

No. of Sq. Ft. and Rent Per Month: The proposed space at 10 United Nations Plaza consists of approximately 5,111 square feet on the ground floor (Suite 150) and approximately 2,994 square feet on the 4th floor (Suite 420), totaling 8,105 square feet of office and classroom space. The monthly rental rate for the total of 8,105 square feet of office and classroom space is $14,183.75 based on $1.75 per square foot per month ($170,205 annually based on $21.00 per square foot per year). The rent will remain the same during the six-year lease period and will not have any cost of living adjustments.

However, the proposed resolution states that monthly rent shall be $14,103.75 ($1.74 per square foot per month or $20.88 per square foot per year), resulting in $80.00 per month less than the rental rate specified in the lease of $14,183.75. According to Mr. Charlie Dunn of the Department of Administrative Services Real Estate Division (RED), the RED will request that the Lessor reduce the monthly rent payment by $80.00, from $14,183.75 to $14,103.75, resulting in a monthly rent per square foot of $1.74 instead of $1.75.

Annual Cost: The annual cost will be $169,245.00 ($20.88 per square foot per year). As noted above, the proposed six-year lease will not have any cost of living adjustment (COLA).

Utilities and Janitor Provided By Lessor: The Lessor will pay for all utilities and janitorial services for the premises in addition to security services, building maintenance, and repairs.

Term of Lease: Six years, commencing upon substantial completion of leasehold improvements (estimated to be February 1, 2004) and terminating on January 31, 2010, subject to City's termination rights[2] and extension options, as noted below.

Right of Renewal: Under the proposed lease, the City will have the option to extend the lease by two additional terms, as follows:

(i) After the initial lease termination on January 31, 2010, the City has the option to renew the lease for one (1) year, with the Base Rent adjusted per the Consumer Price Index (CPI), and

(ii) After the termination of the first option to extend for one year, the City has the option to renew the lease for an additional three-year period, with the Base Rent to be adjusted to 95 percent of Fair Market Value as determined by negotiations between the City and the Lessor.

To exercise both extension options, the City shall provide the Lessor with 150 days advance notice.

Leasehold Improvements to be Paid by Lessor: On or before the Effective Date, which is approximately February 1, 2004, and at no cost to the City, the Lessor will (i) produce an air balance report to be performed on the Heating, Ventilation, and Air Conditioning (HVAC) system serving the premises to verify that the system meets or exceeds original design/performance specifications, (ii) build a kitchen area in Suite 150 in accordance with plans approved by the City in advance, (iii) provide standard signage identifying the City's space in the lobby of the building and at the entrance to each suite, and (iv) touch-up paint and professionally steam-clean the existing carpeting in the interior of premises. According to Mr. Dunn, under the terms of the proposed lease, the Lessor will pay the costs of the above-noted leasehold improvements, at no cost to the City. Mr. Dunn states that RED does not have an estimated cost of such improvements.

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[2] The City has the right to cancel the proposed Lease after January 31, 2009 (after the first five years of the six-year lease) without any penalty, fee or other liability, provided that the City gives the Lessor 180 days advance written notice.

Leasehold Improvements to be Paid by the City: The City will be responsible for the installation of telecommunications, data and computer cabling facilities, furnishing, fixtures, and equipment. Ms. Roye states that such improvements will cost an estimated $298,445 ($209,713 for furniture, fixtures, and equipment plus $88,732 for cabling facilities), and reports that such funds are available in the FY 2003-2004 DCSS budget, which, as previously noted, is funded 100 percent by the State.

Source of Funds: 100 percent of all funding needed for the improvements and the annual rent are to be paid by the California Department of Child Support Services. According to Ms. Roye, funds in the amount of $70,518.75, which equal monthly lease payments of $14,103.75 for the five-month period from February 1, 2004 through June 30, 2004, are included in the FY 2003-2004 DCSS budget. Additionally, Ms. Roye also reports that the estimated move-in costs of $6,250 are included in the FY 2003-2004 DCSS budget, which is not subject to approval by the Board of Supervisors.

Description: According to Ms. Roye, 35 employees will occupy the proposed space. Of the 35 employees, ten hold limited-term positions funded in the FY 2003-2004 DCSS budget, and two positions, which are included in the budget of the Department of Telecommunications and Information Services (DTIS), will be paid by DCSS on a work-order basis. The remaining 23 positions are State employees of the California Department of Child Support Services. The proposed lease will provide the total of 35 employees with approximately 6,790 square feet of office space, or an average of 194 square feet per employee. These 35 employees will perform tasks related to the CASES training and the implementation of the new single Statewide child support automation system, including system development, data analysis, and training.

According to Ms. Roye, the proposed leased premises also include a conference room for training consisting of 1,315 square feet (8,105 square feet less 6,790 square feet) that will contain approximately 10 to 20 computer stations. The number of trainees for each training session ranges from 10 to 20 employees from the 55 California counties. Each trainee from the 16 counties that need to be converted into the CASES system will receive from DCSS initial training on the operation and maintenance of the CASES system. Additionally, personnel from all 55 counties will receive from DCSS (i) ongoing support and training on modifications to the San Francisco's existing CASES system and (ii) initial training on the new and permanent Statewide child support automation system.

Ms. Roye also advises that up to 10 contracted consultants of The IBM Alliance and the State, who will report to and be paid by the State, may also occupy some of the proposed space on a temporary basis, to consult with and assist in developing the permanent Statewide child support automation system.

Comments:

1. According to Mr. Dunn, the proposed rent of $1.75 per square foot per month represents fair market value. As previously noted, the rent is to be reduced to $1.74 per square foot per month.

2. According to the terms of the proposed lease, the City, on behalf of DCSS, will have the "Right of First Offer to Lease" any space that is or may become available in the west half of the 2nd floor of the building located at 10 United Nations Plaza.

3. According to Ms. Roye, DCSS does not possess sufficient space that could be used to house the CASES training for the remaining 16 counties and the development and training for all 55 counties on the new single Statewide automation system. As previously noted, the CASES training for the 39 CASES–converted counties took place in Sacramento over a 15-year period. Ms. Roye states that accomplishing the work in San Francisco for (i) the system conversion and CASES training program for the remaining 16 counties, and (ii) the development and training program for all 55 counties

on the new Statewide system is more cost effective for DCSS than sending DCSS employees to Sacramento.

4. Based on the information provided by Mr. Dunn, page 1, line 18 of the proposed resolution should be amended to delete "($21.00 per square foot per year or $1.75 per square foot per month)" and to add "($20.88 per square foot per year or $1.74 per square foot per month)" to reflect the monthly rental rate of $14,103.75 instead of $14,183.75.

Recommendations:

1. Amend the proposed resolution in accordance with Comment No. 4 above.

2. Approve the proposed resolution, as amended.

Item 2 - File 03-1990

Department: Treasurer/Tax Collector

Item: Ordinance amending the Business and Tax Regulations Code to (1) amend Article 12-A (Payroll Expense Tax Ordinance) to (i) conform the Payroll Expense Tax Ordinance with the amendments to Article 6 (Common Administrative Provisions) and (ii) consolidate exemptions, definitions and other administrative provisions, as amended, that apply to the Payroll Expense Tax Ordinance and other Articles of the Business and Tax Regulation Code, and to place them in the Common Administrative Provisions; (2) amend Article 12 (Business Registration Ordinance) to conform business registration requirements with amendments to the Payroll Expense Tax Ordinance and the Common Administrative Procedures; and (3) amend the Common Administrative Procedures to (i) clarify common administrative provisions and conform them with amendments to the Payroll Expense Tax Ordinance and the Business Registration Ordinance, (ii) consolidate exemptions, definitions and other administrative provisions that apply to Article 12-A, Article 12 and other Articles of the Business and Tax Regulations Code, and (iii) eliminate the Board of Review.

Description: The City's Business and Tax Regulations Code provides for the City's Payroll Expense Tax at a rate of 1.5 percent of an employer's payroll expense and provides for the collection of third-party taxes (e.g., hotel, parking and utility users taxes). The City's Business and Tax Regulations Code also governs the City's Business Registration Certificate, which provides for an annual fee of $25 to $500, based on the employer's Payroll Expense Tax liability for the prior tax year. The proposed ordinance would not change any of the tax rates or annual fees, but rather would amend the City's Business and Tax Regulations Code in order to clarify various terms and definitions, update provisions to reflect current State and/or Federal requirements, move sections to consolidate similar issues, consolidate procedures for clarity, include cross references to various sections of the Code and make other technical changes to the Code.

In addition, the proposed ordinance would (1) increase the tax liability ceiling from $500 to $1,000 beneath which the Tax Collector may exempt businesses from having to file annual business tax. returns (see Comment No. 3), (2) amend existing procedures to eliminate the current Board of Review (see Comment No. 4) and (3) require that requests for various business tax refunds be submitted to the Controller's Office within one year of the tax being due or paid to the City (see Comment No. 5).

Comments:

1. Prior to January 1, 2000, firms doing business in the City were required to pay the City either a Payroll Tax or Gross Receipts Tax, whichever was higher. The Board of Supervisors repealed the Gross Receipts Tax (Ordinance No. 63-11), effective for the 2000 tax year and the City currently imposes only the Payroll Tax on firms doing business in San Francisco. The proposed ordinance would consolidate provisions that were previously included under the Gross Receipts Tax Ordinance as well as provisions under other Sections of the City's Code within the proposed Business and Tax Regulations Code.

2. According to Mr. Dorji Roberts of the City Attorney's Office, increases to the Payroll Expense and other City Taxes cannot be implemented without approval of the San Francisco electorate. Mr. Roberts advises that the proposed ordinance contains primarily technical changes which will clarify the language in the City's Business and Tax Regulations Code in order to comply with State law and to improve the Tax Collector's ability to administer the City's business tax laws.

For example, currently the City's Business and Tax Regulations Code provides that the Tax Collector can commence an action to collect business taxes by the later of four years after the tax became due or the date that the return was required to be filed. The proposed ordinance would amend the City's Business Tax and Regulations Code from four years to three years, to be consistent with State law.

Currently, the City's Business and Tax Regulations Code requires that businesses be provided with a notice 15 calendar days before a hearing to suspend or revoke a Business Registration Certificate for violation of the City's business tax laws. The proposed ordinance would change the existing 15 calendar day notice to ten business days before the hearing, to be consistent with other notice provisions in the City's Business and Tax Regulations Code.

The proposed ordinance would also clarify that every business, which collects from their customers third-party taxes imposed by the City (e.g. Hotel Taxes, Parking Taxes, Utility Users Taxes), hold such monies in a special fund in trust for the City. According to Mr. George Putris of the Tax Collector's Office, this language is consistent with the current required practices. However, Mr. Roberts advises that the proposed language clarifies the legal status of such requirements.

The proposed ordinance would also increase from ten days, to 30 days, or an increase of 20 days, the amount of time allowed for the Tax Collector to issue Certificates of Authority to businesses if the business has more than one business location in the City. Certificates of Authority are a form of registration required for parking lot operators, hotels and other businesses to operate and collect third-party taxes for the City. According to Mr. Putris, this change is being requested in order to provide sufficient time for the Tax Collector's Office to determine if the required regulatory controls for such business are in place (e.g., identifying the principals, conducting credit checks and obtaining bonding authorization). Mr. Putris advises that this provision pertains primarily to parking lot operators.

3. In accordance with the Business and Tax Regulations Code, only those businesses that have an annual tax liability of $2,500 or more are required to pay the City's annual Payroll Tax. The proposed ordinance would allow the Tax Collector to exempt businesses which have a calculated tax liability of

$1,000 or less from having to file an annual business tax return with the Tax Collector's Office. Mr. Putris advises that originally all businesses operating in San Francisco were required to file annual returns. Then in 1998, the Board of Supervisors amended the Business and Tax Regulations Code (Ordinance 18-98), such that the Tax Collector could exempt any business which had an annual calculated tax liability of $500 or less from having to file such tax returns. According to Mr. Putris, the proposed ordinance would increase this threshold from $500 to $1,000 with respect to the requirement to file annual tax returns because the Tax Collector's Office receives little useful information from taxpayers with less than $1,000 of annual calculated tax.

4. As noted above, the proposed ordinance would also eliminate the Board of Review. The Board of Review, which serves without compensation, is comprised of the Director of Administrative Services, the Controller and the Assessor, or their designated representatives. The Board of Review is an administrative appeals body responsible for ruling on petitions by businesses for redetermination and refund claims after the Tax Collector renders his or her decision. The Board of Review may review the evidence which the Tax Collector used to make the decision and/or conduct its own investigation, if the Board deems it necessary. Mr. Roberts advises that as to questions of facts, the Board of Review may modify or revoke the decision of the Tax Collector or alternatively affirm the Tax Collector's decision and dismiss the petition. Under the current provisions of the City's Business and Tax Regulations Code, businesses must appeal Tax Collector decisions to the Board of Review prior to seeking judicial relief. According to Mr. Roberts, the proposed ordinance would eliminate the Board of Review because the current appeal procedures delay the City's administrative process and prolong the uncertainty about the City's potential liability for tax refunds.

The Board of Review is also responsible for approving or disapproving rules or regulations adopted by the Tax Collector's Office. According to Mr. Putris, after the Board of Review approves administrative rules and regulations that pertain to particular administrative programs, such rules and regulations become effective, unless the Board of Supervisors vetoes such rules or regulations within 30 days.

If the proposed ordinance is approved, which would eliminate the Board of Review, businesses seeking redress from the Tax Collector's decisions would be required to appeal such decisions through the judicial process in the Superior Court. In addition, specific administrative rules and regulations adopted by the Tax Collector's Office would still be subject to Board of Supervisors veto power within 30 days.

Section 6.14-1 of the proposed ordinance provides for transition rules, such that the Board of Review, which would be eliminated under the proposed ordinance, would still be permitted to resolve all pending petitions for refunds or redeterminations. However, the Board of Review would not be permitted to accept any new petitions, modifications or amendments to pending petitions and would lack jurisdiction to approve or disapprove of any future rules or regulations adopted by the Tax Collector.

5. The proposed ordinance would require that all business tax refund claims be filed with the Controller's Office within one year from the date that the business tax return was to have been submitted to the City or within one year from the date that the business tax was paid, whichever is later. Currently, such business tax refund claims must be filed with the Tax Collector's Office within six months from the date that the return was due or the tax was paid, whichever is later. Mr. Roberts advises that the proposed change to extend the statute of limitations from six months to one year, an increase of six months, is consistent with State law. Under the proposed ordinance, the Controller, in consultation with the Tax Collector and the City Attorney, would refund the amount of business tax, and related interest or penalty that was overpaid, or erroneously or illegally collected by the City. According to Mr. Putris, the proposed change from the Tax Collector to the Controller is being

requested to be consistent with other types of claims filed against the City, such as Muni claims.

6. Mr. Roberts advises that an Amendment of the Whole will be introduced to provide additional technical changes to the Business and Tax Regulations Code.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 3 – 03-2011

Note: This item was continued by the Finance and Audits Committee at its meeting of January 7, 2004.

Department: Municipal Railway (MUNI)

Item: Resolution approving an Agreement for FY 2003-2004 between the City and County of San Francisco and the Bay Area Rapid Transit District (BART) authorizing payment by BART to the San Francisco Municipal Railway for BART patrons who utilize MUNI for linking up with BART.

Amount: $2,399,733

Description: The proposed resolution would approve an agreement between the City and BART for BART to reimburse MUNI an amount of $2,399,733 for FY 2003-2004. BART makes this payment to MUNI to compensate MUNI for the BART patrons who use MUNI for the purposes of linking up with BART. This BART payment of $2,399,733 for FY 2003-2004 to be paid to MUNI is $76,431 less than the BART payment of $2,476,164 made to MUNI for FY 2002-2003. According to Ms. Ann Carey of MUNI, these BART payments to MUNI accrue to MUNI's operating fund.

According to Ms. Carey, the proposed payments by BART to the City are mandated by the Metropolitan Transportation Commission (MTC). Attachment I, provided by Ms. Carey, explains the basis of the payment to be made by BART to MUNI for FY 2003-2004.

Comments: 1. Ms. Carey advises that BART has made annual payments to MUNI under agreements similar to the proposed Agreement since FY 1986-1987. Attachment II, provided by MUNI, contains a schedule of such annual payments made to MUNI by BART since FY 1990-1991.

2. According to Ms. Julia Friedlander of the City Attorney's Office, the proposed Agreement and previous similar agreements require approval by the Board of Supervisors in accordance with Charter Section 9.118(c) because they are revenue generating agreements in excess of $1,000,000 annually.

3. According to Ms. Carey, although MUNI has not yet accepted the subject BART FY 2003-2004 payment of $2,399,733, MUNI has included such payments in its FY 2003-2004 budget. Ms. Carey reports that the proposed FY 2003-2004 payment by BART to MUNI of $2,399,733 is $161,283 more than the $2,238,450 amount included in MUNI's FY 2003-2004 budget. According to Ms. Gigi Harrington of MUNI, this total surplus revenue of $161,283 would be used to pay for future MUNI operating expenditures.

4. The proposed Agreement contains a mutual indemnification provision which states that the City and BART agree to indemnify, save harmless and defend each other, each other's officers, agents and employees from legal liability of any nature or kind on account of any claim for damages to property or personal injuries to or death of person or persons to the extent that any such claims are caused by or result from, and in proportion to, the negligent acts or omissions or willful misconduct of the indemnifying party, its directors, officers and employees, unless such claims arise out of the sole negligence or willful misconduct of the party seeking indemnification or its directors, officers, agents and employees.

According to Mr. Errol Fitzpatrick, the City's Risk Manager, the additional risks to the City as a result of the mutual indemnification provision contained in the proposed Agreement are negligible, and Mr. Fitzpatrick has recommended approval of the mutual indemnification provision.

5. Attachment III is a memorandum provided by Ms. Carey in response to inquiries made by the Finance and Audits Committee at its meeting on January 7, 2004, regarding the use of MUNI Fast Passes on BART by disabled and senior citizens.

Recommendation: Approve the proposed resolution.

SAN FRANCISCO MUNICIPAL RAILWAY

FINANCE & ADMINISTRATION DIVISION – 875 Stevenson Street, Room 260, S.F., CA 94103
Telephone (415) 554-7941 Fax (415) 554-7606

MEMORANDUM

Date: December 16, 2003

To: Harvey Rose, Budget Analyst

From: Ann Carey, Financial Manager

Subject: Calculation of FY2004 Muni/BART Transfer Payment

Per your request, this memorandum provides an explanation of how the annual payment under the Muni/BART transfer agreement is calculated. The requirement for establishing the transfer payments between Muni and BART was determined within the context of the Regional Financial Plan. Under the Regional Financial Plan, each year's payment amount is based on the change in BART sales tax revenue in the previous two years.

Specifically, the FY2004 payment amount is the FY2003 payment amount adjusted by the percentage change in BART sales tax revenue for the two years prior to FY2004 (i.e., the percentage change between FY2002 and FY2003). BART sales tax revenues for FY2003 were 3.087% lower than FY2002 sales tax revenues. Therefore, the FY2003 payment amount of $2,476,164 will be reduced by 3.087% and the FY2004 payment will be $2,399,733.

If you have any questions concerning these calculations, please let me know.

cc: Anne Richman, MTA Executive Director's Office

Attachment II

TRANSFER PAYMENT HISTORY

Muni Transfer Payment History/ Calculation

Sales Tax Recepit FY	Sales Tax Rev	Sales Tax Net Change %	PMT Amount Net Change $	PMT FY	MUNI	Date Paid
					1,537,600	
1991	108,959,895			1992	1,562,100	
1992	105,492,711	-3.182%		1993	1,511,900	
1993	107,889,634	2.272%	34,352	1994	1,546,252	
1994	109,834,021	1.802%	27,867	1995	1,574,119	
1995	115,186,021	4.873%	76,704	1996	1,650,823	
1996	126,077,200	9.455%	156,090	1997	1,806,913	
1997	134,983,961	7.065%	127,650	1998	1,934,563	09/01/99
1998	144,190,692	6.821%	131,949	1999	2,066,513	04/19/00
1999	151,805,599	5.281%	109,135	2000	2,175,648	09/18/00
2000	170,911,394	12.586%	273,820	2001	2,449,471	08/22/01
2001	191,648,289	12.133%	297,197	**2002**	**2,746,668**	04/15/03
2002	172,773,943	-9.848%	(270,504)	**2003**	**2,476,164**	04/15/03
2003	167,440,932	-3.087%	(76,432)	**2004**	**2,399,733**	

SAN FRANCISCO MUNICIPAL RAILWAY

FINANCE & ADMINISTRATION DIVISION – 875 Stevenson Street, Room 260, S.F., CA 94103
Telephone (415) 554-7941 Fax (415) 554-7606

MEMORANDUM

Date: January 21, 2004

To: Harvey Rose, Budget Analyst

From: Ann Carey, Financial Manager

Subject: Use of Muni Fast Pass® on BART

In the January 7, 2004, Finance and Audit Committee meeting, committee members posed questions regarding the use of Muni Fast Passes® for disabled and senior citizens on BART. This memorandum responds to the issues raised in that meeting.

Issue

Muni adult Fast Pass® holders may use their monthly Fast Pass® to ride BART within San Francisco (i.e., from Embarcadero to Balboa Park stations). Muni reimburses BART 80 cents (87 cents beginning January 1, 2004) per ride. In fiscal year 2003, adult Fast Passes® were used to take 10,447,954 rides on BART within San Francisco. Muni paid BART $8,243,212. In that same period, Muni collected $36,737,848 from adult Fast Pass® sales (Muni's payment to BART represents 22 percent of adult Fast Pass® sales revenue). An adult Fast Pass® costs $45 per month (previously $35 prior to September 1, 2003).

Muni also sells discounted Fast Passes® for disabled, senior, and youth passengers at $10 per month ($8 prior to September 1, 2003). Under the current agreement between Muni and BART, these passes cannot be used to ride BART within San Francisco. Members of the disabled and senior communities have requested that their discounted Fast Passes® be accepted on BART within San Francisco. The Board of Supervisors' Finance and Audit Committee directed Muni to explore this issue with BART. In response, Muni has renewed our efforts to negotiate a solution that is acceptable to all parties, including the disabled and senior communities and the two agencies.

Estimated Costs

There are several costs that will be incurred if the use of Muni Fast Passes® on BART is extended to disabled and senior passholders. Start-up costs include producing a new magnetic stripe ticket for disabled passholders and reprogramming BART fare gates, which will also require time to implement. On-going costs include reimbursement to BART for each ride.

(a) Magnetic Tickets

In July 2002, Muni discontinued use of a magnetic stripe Fast Pass® for disabled patrons. The magnetic stripe ticket was replaced with a monthly sticker that the cardholder affixes to a Regional Transportation Card (RTC), which includes a photo of the cardholder. The RTC card, with the monthly sticker affixed, is used as a "flash pass" on Muni vehicles and to enter stations. RTC cards are issued to disabled citizens upon proof of eligibility. Muni switched to the RTC card to reduce fraudulent use of disabled Fast Passes® by ineligible passengers. Since the introduction of the sticker, discounted Fast Pass® sales have declined by 9 percent.

BART has indicated that in order to capture Fast Pass® use on its system, all customers must use a magnetic stripe ticket and enter through a BART fare gate. To accommodate this requirement, Muni will produce a magnetic stripe ticket encoded for disabled passenger use. The estimated cost of producing 7,000 cards per month is approximately $1,000 per month, which will be absorbed by Muni. However, Muni will require a 6-9 month lead time to issue a new magnetic stripe card.

(b) BART Fare Gates

BART has indicated that it must retrofit its fare gates to recognize the additional ticket types (disabled and senior Fast Passes®). The estimated cost is $188,000, and will require 9 months from notice to proceed with the retrofit. BART has requested reimbursement from Muni for this expense.

(c) Reimbursement to BART

Under the current agreement, Muni reimburses BART on a per-trip basis for each time a Fast Pass® is used on BART. In order to estimate this expense, we need to project the total number of trips disabled and senior Fast Pass® holders will take on BART, and determine the per-trip reimbursement rate. For purposes of this analysis, Muni assumed that disabled and senior Fast Passes® holders would use their passes on BART with the same frequency as adult Fast Pass® holders (an average of 10 trips per cardholder per month). Muni has proposed to reimburse BART 21.75 cents per trip (which is equal to 25 percent of the adult reimbursement rate). BART has requested a reimbursement rate of 32.5 cents per trip (equal to 25% of the average value of intra-city trips). The projected annual cost to Muni would be $854,636 to $1,277,042, depending on the reimbursement rate. This represents 27-41 percent of the revenue Muni received in FY03 disabled and senior Fast Pass® sales ($3.1 million).

The current cost for a discounted Fast Pass® ($10 per month) does not reflect the proposed use on BART within San Francisco. To cover this additional expense, the price of disabled and senior Fast Passes® would increase by $2 to $3 per month, depending on the reimbursement rate to BART.

Outstanding Issues

Muni and BART are continuing to discuss extending the use of disabled and senior Fast Passes® on BART. The key issues to be resolved are (a) the cost of retrofitting BART fare gates, and (b) the reimbursement rate. We are also exploring how this feature could be implemented on TransLink®. We will report back to the Finance and Audit Committee at its next meeting.

cc: Michael Burns, Executive Director, Municipal Transportation Agency

Item 5 – 03-1609

Note: This item was continued by the Finance and Audits Committee at its meeting of January 7, 2004.

Item: Ordinance amending Article 15 of the City's Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessments; authorizing such districts to be formed for a term of up to 20 years; authorizing such districts to encompass and assess residential property, and repealing Sections 1513 through 1591 of the City's Business and Tax Regulations Code.

Description: The California Property and Business Improvement Act of 1994 (Section 36600 et seq. of the California Streets and Highway Code) authorizes cities to establish Property and Business Improvement Districts (PBIDs) for the purpose of levying assessments on real property for certain purposes. Further, Proposition 218, approved by the California voters on November 6, 1996, which became part of the California Constitution (Articles XIIIC and XIIID), imposes requirements applicable to assessment districts including Property and Business Improvement Districts.

The purpose of a Property and Business Improvement District is to provide property owners within the District with additional services, including safety and maintenance services, to supplement those existing services provided by their applicable governmental jurisdiction. For example, the Union Square Business Improvement District, located in an approximately ten block area surrounding Union Square, a PBID previously authorized by the Board of Supervisors, provides for increased services from additional assessments, including (a) increased sidewalk sweeping and steam cleaning, (b) improved trash and graffiti removal and a painting crew, (c) increased public safety with one Police Officer and four uniformed Community Services Ambassadors which provide citizen assistance and referral and (d) improved community and information services for visitors.

According to Mr. David Greenburg of the City Attorney's Office, upon receiving a written petition to form a PBID from property owners in the District, a resolution of intention must be approved by the Board of Supervisors in order to initiate proceedings to form a PBID. Under State law, the written petition must be signed by property owners in the proposed PBID responsible for more than 50 percent of the total assessments in the District. Mr. Greenburg reports that the written petition must include a management district plan, containing the following:

- The name of the proposed PBID;
- A map and description of the boundaries of the proposed PBID;
- The annual improvements and activities of operation of the proposed PBID, and the maximum costs;
- The total annual cost for improvements, maintenance, and operations.
- The source of funds including the proposed method and basis of levying the assessment to property owners in the proposed PBID.
- The time and manner of collecting the assessments;
- The number of years in which the assessment will be levied;
- A list of the properties to be assessed;
- A timeline for implementing the management district plan.

Under State law, the formation of a proposed PBID, and the related levy and collection of assessments, is subject to approval by the Board of Supervisors, following a public hearing and balloting in favor of the assessments by property owners in the District responsible for a majority, or more than 50 percent of the total assessment in the District.

Regarding such PBIDs, State law currently provides that:

a) the levy and collection of assessments is for i) a maximum of five years for a new District, and ii) a maximum of ten years for a renewed District;
b) assessments can be made only on commercial property; residential property is not subject to assessment in a PBID; and

c) a written petition must be signed by property owners responsible for more than 50 percent of the total assessments in the District, in order for the Board of Supervisors to initiate proceedings to form a Property and Business Improvement District.

The proposed ordinance would amend Section 1510 and 1511 of the City's Business and Tax Regulations Code to provide the City with alternatives to State law in the formation of PBIDs. Pursuant to Sections 36600 et seq. of the California Streets and Highway Code, the proposed ordinance would allow the City to deviate from such State law in the formation of PBIDs by:

a) levying and collecting assessments for i) a maximum of 20 years for a new District, instead of five years under State law, and ii) a maximum of 20 years for a renewed District, instead of ten years under State law;
b) levying and collecting assessments on residential property as well as commercial property instead of just on commercial property; and
c) initiating proceedings to form a PBID upon receiving a written petition signed by property owners in the proposed PBID responsible for more than 30 percent of the total assessments in the District instead of more than 50 percent of the total assessments in the District.

According to Mr. Greenburg, pursuant to Section 36603 of the California Streets and Highway Code, any and all of the above amendments to the Business and Tax Regulations Code may be used by the City in lieu of State law in the formation of a PBID. However, in all other respects, the formation and operation of a PBID would continue to be subject to Section 36600 et seq. of the California Streets and Highways Code, according to Mr. Greenburg.

The proposed ordinance would also repeal Sections 1513 through 1591 of Article 15 of the City's Business and Tax Regulations Code to provide for consistency with State procedures. Mr. Greenburg advises that while Article 15 of the City's Business and Tax Regulations Code provides procedures for the City to form Property and Business Improvement Districts, since the passage of Proposition 218 by California voters in November of 1996, Article 15 of the City's Business and Tax Regulations Code has been inconsistent with State law; Article 15 of the City's Business and Tax Regulations Code provides for a majority protest procedure (see Comment No. 1) to establish a PBID, rather than a property owner balloting procedure as provided by State law (see Comment No. 1). The proposed ordinance would delete the majority protest procedure currently in the City's Business and Tax Regulations Code, thereby making the City's Code consistent with State law, authorizing a property owner balloting procedure. According to Mr. Greenburg, the City has historically proceeded under State law in forming PBIDs and that, therefore, approval of this proposed ordinance simply makes the City's Business and Tax Regulations Code consistent with State law.

Comments:

1. According to Mr. Greenburg, under Article 15 of the City's existing Business and Tax Regulations Code, the City cannot impose an assessment against property owners for a PBID without first notifying all affected property owners within the District of the intent to do so. Mr. Greenburg advises that the property owners would then be afforded an opportunity to protest the imposition of an assessment under a PBID. If a majority of the property owners object to the proposed assessment through written protest, the formation of the assessment district would not proceed; this process is referred to as a majority protest procedure, according to Mr. Greenburg. The proposed ordinance would repeal Sections 1513 through 1591 of the City's Business and Tax Code to delete the majority protest procedure, and instead provide for a property owner balloting procedure, whereby property owners are given the opportunity to cast ballots in favor of, or against, the proposed assessment.

2. As previously noted, Mr. Greenburg advises that the majority protest procedure is inconsistent with Proposition 218, approved by California voters on November 6, 1996. Mr. Greenburg advises that Proposition 218 provides for a property owner balloting procedure whereby property owners are given the opportunity to cast ballots in favor of, or against, the proposed assessment, as previously stated, instead of the majority protest procedure, wherein property owners can protest the imposition of a proposed assessment, as currently provided for under Article 15 of the City's Business and Tax Regulations Code. Under Proposition 218, in order for the assessment to be imposed, a majority of the ballots, weighted on the property owner's share of the proposed assessments, must favor the assessments. According to Mr. Greenburg, the City has historically proceeded under State law to impose assessments against property owners under a PBID.

3. In response to an inquiry of a member of the Finance and Audits Committee to review the available historical cost data of services provided to the Union Square PBID in comparison to comparable areas in the City, Mr. Michael Frank of the Recreation and Park Department and Ms. Tina Olsen of the Department of Public Works reports that such historical data is not available due to a lack of systems capability.

4. In response to a second inquiry of a member of the Finance and Audits Committee concerning specific protection against the inequitable delivery of basic city services as a result of the establishment of a PBID, which could favor PBID's over other areas of the City, Mr. Greenburg reports that he is not aware of any State or local provisions which either a) protects non-PBID areas from decreases in City services, or b) prevents an unwarranted increase in City services to a PBID area. Mr. Greenburg advises that such protections may be provided through an amendment to this proposed legislation and/or through a resolution which establishes a PBID.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 6 - File 03-1598

Note:	This item was continued from the Finance and Audits Committee Meeting of January 7, 2004.
Department:	Public Utilities Commission (PUC)
Item:	Resolution approving the First Amendment of an existing lease between the City and County of San Francisco acting by and through the Public Utilities Commission (PUC) and Crystal Springs Golf Course Partners, L.P., in San Mateo County.
Purpose of Lease Amendment:	To amend the rent structure, reducing the Base Rent and the Percentage Rent, and amending certain conditions based on the terms set forth in the First Amendment.
Lessor:	City and County of San Francisco acting by and through the Public Utilities Commission (PUC)
Lessee:	Crystal Springs Golf Course Partners, L.P. (Crystal Springs) (owners include Tom Isaak, John C. Telischak, Geomen Liu, Raymond Wong and Michael Quan)
Location and Acreage:	The existing lease between the PUC and Crystal Springs consists of 199.40 acres of watershed land, owned by the PUC, used for operations of a golf course and food and beverage operations located at 6650 Golf Course Drive, Burlingame, California in San Mateo County.
Term of Existing Lease:	The existing lease, which commenced April 1, 1997 and terminates March 31, 2017, is for 20 years. The proposed First Amendment does not extend or amend the term of the existing lease.
Rent Paid by Crystal Springs to the PUC Under the Existing Lease:	The rent payments under the existing lease are the greater of either the Base Rent or the Percentage Rent in accordance with the following:

Base Rent

For the first three Lease Years (April 1, 1997 through March 31, 2000):
Annual Base Rent: $1,250,000
Monthly payments: $104,167

For the fourth through tenth Lease Year (April 1, 2000 through March 31, 2007):
Annual Base Rent: $1,500,000
Monthly payments: $125,000

For the eleventh through fifteenth Lease Year (April 1, 2007 through March 31, 2012):
Annual Base Rent: $2,000,000
Monthly payments: $166,667

For the sixteenth Lease Year and each Lease Year thereafter (April 1, 2012 through March 31, 2017):
Annual Base Rent: $2,250,000
Monthly Payments: $187,500

The base rents described above are adjusted annually by the amount of the percentage change in the Consumer Price Index (CPI).

Percentage Rent:
8 percent of gross revenues derived from food and beverage sales; plus 12 percent of gross revenues derived from Merchandise Sales; plus in Lease Years 1 and 2, 25 percent of gross revenues derived from golf-related sales, including green fees, cart rentals, and range fees; in Lease Years 3 through 5, 35 percent of gross revenues derived from golf-related sales; and in Lease Years 6 through 20, 40 percent of gross revenues derived from golf-related sales.

According to Mr. Gary Dowd of the PUC, percentage rents paid by Crystal Springs to the PUC are paid on a quarterly basis. Attachment I, a memo provided by Mr. Dowd, explains the Crystal Springs rent adjustment process that corrects over-collection of percentage rent received on a quarterly basis when total annual percentage rent does not exceed the base rent. Mr. Dowd advises that Base Rents has exceeded

Percentage Rent as of FY 2002-2003. Total rent paid by Crystal Springs to the PUC between Fiscal Year 1997 and Fiscal Year 2003 is as follows:

Fiscal Year	Annual Base Rent	Total Annual Percentage Rent above Base Rent Paid Quarterly	Total Annual Combined Rent	Less - Annual Rent Adjustments	Total Rent Paid to PUC on an Annual Basis
1996 - 1997	$412,501	$142,117	$554,618	$ (11,723)	$542,895
1997 - 1998	1,260,629	5,892	1,266,521	0	1,266,521
1998 - 1999	1,304,783	9,488	1,314,271	(44,776)	1,269,495
1999 - 2000	1,355,706	297,333	1,653,039	(65,417)	1,587,622
2000 - 2001	1,469,609	342,118	1,811,727	(142,297)	1,669,430
2001 - 2002	1,594,306	172,369	1,766,675	(162,589)	1,604,086
2002 - 2003	1,639,056	139,216	1,778,272	(139,216)	1,639,056
Total	$9,036,590	$1,108,533	$10,145,123	($566,018)	$9,579,105

Rents to be Paid by Crystal Springs to the PUC Under the Proposed Amended Lease:

Under the proposed First Amendment to the existing lease, the proposed rent would be the greater of either Base Rent or Percentage Rent in the reduced amounts shown below:

Base Rent

For the seventh through tenth Lease Year (June 1, 2003 through May 31, 2006[1]):
Annual Base Rent: $1,200,000
Monthly payments: $100,000
(Reduced from the current annual base rent of $1,679,290 annually or $139,941 monthly)

For the eleventh through fifteenth Lease Year (June 1, 2006 through May 31, 2012):
Annual Base Rent: $1,400,000
Monthly payments: $116,667

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[1] According to Mr. Dowd, the proposed amendment would begin retroactively to June 1, 2003 instead of the anniversary date of the lease, April 1, 2003 because the PUC has been negotiating the amendment with Crystal Springs for an extended amount of time. According to Mr. Dowd, the PUC negotiated terms and the June 1, 2003 commencement date in September of 2003.

For the sixteenth and each lease year thereafter (June 1, 2012 through May 31, 2017):
Annual Base Rent: $1,600,000
Monthly Payments: $133,333

The base rents described above are to be adjusted annually in the amount of the percentage change in the Consumer Price Index (CPI).

Percentage Rent:
8 percent of gross revenues derived from food and beverage sales; plus 8 percent of gross revenues derived from Merchandise Sales (reduced from 12 percent); plus 30 percent of up to $3.71 million and 65 percent of over $3.71 million in gross revenues derived from golf-related sales, including green fees, cart rentals, and range fees from June 1, 2003 through the remainder of the lease term (changed from 25 percent in Lease Years 1 and 2, 35 percent in Lease Years 3 through 5, and 40 percent in Lease Years 6 through 20).

According to Mr. Dowd, the proposed reduced base and percentage rents were derived from negotiations with Crystal Springs. The justifications for such proposed reductions in rent are contained in Attachment II, provided by Mr. Dowd. As stated in Attachment II, Mr. Dowd explains:

> "Restructuring the existing rental terms is necessary to ensure Crystal Springs Golf Partners' operating viability. This graduated, or tiered, approach has the effect of providing rent relief to the operator in the short term, but provides the City with greater participation in the upside if the property outperforms current expectations."

Attachment III, an analysis prepared by the Budget Analyst, compares the base rents under the existing lease and base rents under the proposed amendment for Lease Years 7 through 20, Base Rent to Crystal Springs will be reduced by $7,450,000.

Additionally, under the proposed First Amendment, Percentage Rents derived from food and beverage sales will remain at 8 percent but the other Percentage Rents will be reduced as explained above. As stated in Attachment II, Mr. Dowd explains:

> "The revised rent structure allows Crystal Springs to continue to operate the property and generate substantial rent payments to the City."

Utilities and Janitorial Service: Provided by Lessee.

Description: On August 1, 1995 the PUC issued a Request for Proposals (RFP) seeking a tenant to lease the Crystal Springs Golf Course and related facilities located in Burlingame, California. According to Mr. Dowd, prior to the Crystal Springs lease, the PUC leased the Golf Course and facilities to Mr. Charles Leider, who originally constructed the Golf Course and then operated the Golf Course for approximately 40 years before it was put out to public bid. On November 12, 1996, the PUC awarded a lease to the Crystal Springs Golf Partners, L.P. The term of this existing lease is 20 years beginning April 1, 1997 and ending March 31, 2017 for 199.40 acres of watershed land located at 6650 Golf Course Drive, Burlingame, California in San Mateo County.

According to Mr. Dowd, the existing lease with Crystal Springs was awarded at the peak of the golf course market, when many other golf courses where being built in the Bay Area. This information is discussed in the report by Economic Research Associates (ERA), described further in Comment No. 2. As noted in Attachment IV, the ERA's key findings are:

> "The Crystal Springs Golf Course lease was awarded to Crystal Springs Golf Course in 1996, essentially at the peak of the golf acquisition market. The lease terms negotiated at Crystal Springs call for higher rents than an any other California public golf course initiated either before or after this transaction."

Mr. Dowd reports that Crystal Springs has invested approximately $3.5 million for capital improvements to the golf course as required under the original lease. Mr. Dowd advises that while this investment satisfied initial lease obligations, an additional estimated $2.0 million in capital improvements are required within the next 3 to 5 years to restore the golf course to a competitive level of play. However, the Budget Analyst notes that the proposed lease amendment does not contain specific provisions to require the lessee, Crystal Springs, to expend $2.0 million for any capital improvements. According to Mr. Dowd, the necessary capital improvements and their estimated associated costs are shown in Attachment V, provided by Mr. Dowd, and are summarized below:

Improvement	Cost
New Cart Paths	$500,000
New Cart Barn	700,000
EPA Wash Down Area[2]	50,000
Various Course Improvements	450,000
Contingency	300,000
Total	$2,000,000

Mr. Dowd reports that the Bay Area golf market has declined considerably over the past several years as a result of a major expansion of the number of golf courses that occurred in the mid to late 1990s, combined with the effects of an economic downturn. Attachment VI, provided by the PUC, shows all of the golf courses in the Bay Area built since 1990, a total of 26, with 6 more presently under construction. The second page of Attachment VI illustrates the population to golf course ratios between the State of California and the Bay Area. As shown in Attachment VII, an analysis reported in the ERA Report, total annual rounds of golf played on golf courses in the Bay Area have decreased in recent years. Mr. Dowd advises that it is difficult to predict when the golf market will recover from such "overbuilding." Mr. Dowd advises that the PUC decided to amend the Crystal Springs lease and reduce rental obligations because:

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[2] According to Mr. Dowd, the EPA Wash Down Area is a concrete area with a special drain and filter that allows Crystal Springs to wash off mowing equipment after each use. It captures grass clippings and small amounts of grease and oil from mowers, etc.

> "We are trying to work with an existing tenant with a proven 7-year history and come up with a deal that keeps them operating and able to gain some fair rate of return on their investment. Given the current golf industry, a bid process could prove even more detrimental."

According to the ERA report, the proposed rent reductions will yield an internal rate of return of approximately seven percent for Crystal Springs. In Attachment X, Mr. Dowd states that industry standard is for leased golf courses to earn an internal rate of return of between 17 and 21 percent. Therefore, according to Mr. Dowd, this proposed amendment is providing the bare minimum for Crystal Springs to remain economically viable.

In addition to the proposed reduced rent levels as noted above, the proposed first amendment to the lease would result in reductions in the security deposit required to be maintained by Crystal Springs from the current level of approximately $800,000 to an amount equal to 3 month's base rent under the proposed first amendment, or $300,000 initially. Any amount in excess of $300,000 that is currently in the security deposit account shall be deposited by Crystal Springs into the Capital Improvement Fund, along with additional funds, if necessary, payable by Crystal Springs, to a total deposit of $500,000. This deposit to the Capital Improvement Fund is named in the proposed lease amendment as the "Additional Capital Improvement Fund (CIF) Deposit Amount.

Further, under the proposed first amendment, required annual Capital Improvement Fund Contributions of two percent of annual gross revenues paid by the Crystal Springs would be matched by the PUC in the form of rent credits up to a maximum additional deposit to the CIF of $500,000. At the time total rent credits for this purpose equal the $500,000 maximum amount the PUC would cease matching the Capital Improvement Fund contributions. Under the existing lease, the PUC does not make any contributions to the Capital Improvement Fund.

In summary therefore, the Capital Improvement Fund will have total deposits of $1,000,000 comprised of a) the Additional (CIF) Deposit Amount by Crystal Springs of $500,000 and, b) matching deposits, through rent credits by the PUC, of $500,000.

In addition, Crystal Springs will be required to continue to deposit two percent of annual gross revenues to the Capital Improvement Fund as is required under the existing lease. Based on the ERA projections shown in Attachment IX, such total deposits to the Capital Improvement Fund will be $1,630,000 for the years 2003 through 2016.

Comments:

1. According to Mr. Dowd, in early 2002, Crystal Springs Golf Course approached the PUC requesting modifications to their original lease due to the declining economy and golf market. In response to their request and at their expense, the PUC engaged the services of Economic Research Associates (ERA), at a cost of $15,000 paid by Crystal Springs, to perform an independent assessment of the economics of the original lease and the operations of the premises. Mr. Dowd notes that ERA was selected by the PUC because of their reputation in the area golf industry. A summary of the ERA findings and subsequent recommendations are described in Attachment IV, provided by the PUC.

2. Attachment VIII, which includes two tables from the ERA report, shows the actual net income for Crystal Springs for the period of 1997 through 2001 and projected gross revenues and anticipated negative cash flow balances of the Crystal Springs Golf Course under the current rent structure according to the ERA findings.

The actual net operating income for Crystal Springs for calendar years 1997 through 2002[3] are shown below:

Calendar Year	1997	$250,682
	1998	(372,432)
	1999	(207,211)
	2000	42,156
	2001	41,737
	2002	57,025

As also shown on page 2 of Attachment VIII, ERA's projected negative baseline net operating income for Crystal Springs ranges from a deficit of $56,000 in 2003 to a deficit of $244,000 in 2016, based on the current rent structure.

3. Attachment IX, also a table from the ERA report, shows the projected gross revenues and anticipated positive cash flow balances of the Crystal Springs Golf Course under the amended rent structure according to the ERA findings. The projected baseline net operating income ranges from $325,000 in 2003 (an increase of $381,000 from the projected Net Income when the existing lease terminates) to $166,000 in 2016 (an increase of $410,000 from the projected Net Income when the existing lease terminates). The Budget Analyst has not independently verified source data used for the ERA calculations or that projections are appropriate.

4. In response to the Finance and Audits Committee questions raised at their meeting of January 7, 2004, the Budget Analyst has reviewed the financial and contractual relationship between Crystal Springs Golf Course Partners, L.P. and CourseCo, Inc., a golf course management company, and made further inquiries into the operation of Crystal Springs Golf course. The Budget Analyst has also reviewed audited financial statements for CourseCo, Inc. for calendar years 2001 and 2002 and unaudited financial statements for

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[3] The audited financial statements for Crystal Springs was not available at the time of the preparation of the ERA report.

Crystal Springs and CourseCo, Inc. for calendar year 2003.

CourseCo, Inc. is a golf course management company that has management agreements with a total of 13 golf courses in California, including Crystal Springs. Two of the principals of CourseCo, Inc., Mr. Tom Isaac, President and Mr. John Telischak, Chief Financial Officers (CFO), are co-managing partners of Crystal Springs Golf Course Partners, L.P.

CourseCo, Inc. principals are also participating partners in two other golf courses that are clients of CourseCo, Inc. These two golf courses are Metropolitan Golf Links in Oakland, California and Foxtail Golf Course in Rohnert Park, California.

CourseCo, Inc. has a management agreement with Crystal Springs whereby CourseCo, Inc. provides management services for the operation of Crystal Springs, including the management of general maintenance, tenant improvements and installations, administration of contracts, insurance, the lease with the City, and governmental reporting. In exchange for these management services, CourseCo, Inc. receives a management fee of five percent of Crystal Springs gross revenues and a one-time construction management fee of ten percent of the cost of capital improvements to the golf course and facilities. In addition, CourseCo, Inc. receives income from Crystal Springs for accounting services.

In calendar year 2001, CourseCo, Inc. financial statements show gross income of $1,135,154 and net income, before provision for income taxes, of $399,809 or 35.2 percent of total income.

In calendar year 2002, CourseCo, Inc. financial statements show gross income of $1,138,552 and net income, before provision for income taxes, of $257,388 or 22.6 percent of total income.

According to Mr. Telischak, based on an unaudited financial statement, CourseCo, Inc. only had a net profit of $68,173 in calendar year 2003, due primarily to over $250,000 of accounts receivable due to unpaid management fees from the golf courses it manages, including Crystal Springs.

In response to a request of the Budget Analyst, CourseCo, Inc. could not separately identify the portion of its profits attributable to its management agreement with Crystal Springs. Based on management fee data provided by CourseCo, Inc., Crystal Springs management fees paid to CourseCo, Inc. in calendar year 2002 were $252,609 or 22.1 percent of CourseCo, Inc.'s total management fees of $1,142,620 from all 13 golf courses it manages. For calendar year 2003, CourseCo, Inc. reported that Crystal Spring's total management fees were $240,980 or 19.8 percent of CourseCo, Inc.'s total management fees of $1,218,985 payable to CourseCo, Inc. by all 13 golf courses it manages. Crystal Springs contributes the largest amount of revenue of all 13 golf courses managed by CourseCo Inc. The next highest management fee paid to CourseCo, Inc. in 2003 was $154,500, or $86,480 less than the $240,980 management fee payable to CourseCo, Inc. by Crystal Springs.

However, according to Mr. Telischak, Crystal Springs currently still owes $171,194 of the $240,980 in total management fees to CourseCo, Inc. for calendar year 2003, but Crystal Springs is unable to pay such fees because it does not have the cash. In addition, according to Mr. Telischak, since calendar year 2000, Crystal Springs owes CourseCo, Inc. construction management fees of $292,916. Therefore, Mr. Telischak reports that the total amount due to CourseCo, Inc. from its management agreement with Crystal Springs is $464,110 ($171,194 plus $292,916).

5. The Budget Analyst also reviewed Crystal Springs Golf Course information provided by Mr. Telischak, for (a) salaries paid to Crystal Spring's employees, and (b) an unaudited financial statement for Crystal Springs for calendar year 2003. According to the salary information provided, the highest paid salaries for Crystal Springs employees is $72,768 for its General Manager, $70,000 for its Maintenance Superintendent

and $52,500 for its Head Golf Professional, not including fringe benefits. These staff are employed by Crystal Springs Golf Course Partners, and not CourseCo, Inc.

The calendar year 2003 unaudited financial statement for Crystal Springs reports golf related income (excluding food and beverage sales and merchandise sales) of $3,524,456, which is $387,865 or 9.9 percent less than the $3,912,321 in golf related income reported for calendar year 2002. The Crystal Springs unaudited financial statement for 2003 reports an operating loss of $312,995.

6. The Finance and Audits Committee has requested that the PUC provide the bid amounts of the original proposals submitted for the operation of Crystal Springs Golf Course in 1996. Mr. Gary Dowd states that such information will be provided directly to the Finance and Audits Committee at its meeting of January 28, 2004. In this connection, the Budget Analyst previously reported the following when the Crystal Springs lease was considered by the Board of Supervisors in December of 1996 (File 65-96-13):

> On August 1, 1995, the PUC issued a Request for Proposals (RFP) seeking a tenant to lease the Crystal Springs Golf Course and related facilities. The PUC received five proposals in response to the RFP. On January 30, 1996, the PUC selected the proposed tenant, Crystal Springs Golf Course Partners, a Limited Partnership (L.P.) by unanimous vote. According to a study of the proposed bid by a golf course economics consultant retained by the PUC, the selected proponent submitted the highest bid based on total percentage rent to be paid to the City, but did not have the highest bid based on total minimum rent to be paid. The PUC selected the proposed tenant in part because of their qualifications and the quality of the business plan included in the proposal.

The Budget Analyst concludes that it is not possible to determine the current market rent for Crystal Springs Golf Course without conducting a new competitive proposal process. However, if such a competitive process were undertaken, the rents that would be bid could be below both the existing lease, which was based on the 1995 proposal by the current lessor, Crystal Springs Golf Course Partners L.P., and this proposed amendment to the existing lease. Therefore, the Budget Analyst considers approval of the proposed amendment to the Crystal Springs lease to be a policy matter for the Board of Supervisors.

Recommendations:

1. The Budget Analyst recommends an amendment to the proposed resolution to require the addition of a specific lease provision to require that the lessee, Crystal Springs, expend not less than $2.0 million in capital improvements during the remainder of the 20-year term of the lease, by inserting the following on line 16 of the proposed resolution:

> FURTHER RESOLVED that the Board of Supervisors approval of this lease is conditioned on the inclusion of a specific lease provision that the Tenant shall be obligated to expend an aggregate amount of not less than Two Million Dollars ($2,000,000), in connection with completing capital improvements during the term of the lease.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

Attachment I

MEMORANDUM

DATE: November 5, 2003

TO: Budget Analyst

FROM: Garrett M. Dowd, Director SFPUC Real Estate Services

RE: Crystal Springs Golf Course Lease Amendment

In response to your request for information relative to how Crystal Springs Golf Partners (CSGP) rent payments are calculated and processed I provide the following explanation:

Each month CSGP pays Base Rent per the terms of their Lease Agreement. On a quarterly basis, CSGP is required to pay the greater of Base Rent or Percentage Rent. During the summer quarter(s), when play is heaviest, this sometimes results in Percentage Rent being paid. At the end of the calendar year, an audit is performed to determine whether any Percentage Rent is payable on an annual basis. If quarterly Percentage Rent had been paid but none is due on an annual basis as a result of the audit, a credit is issued to the tenant. This has been the case for the last several years.

Given the existing rent structure, Base Rent is exceeding Percentage Rent on an annual basis.

Attachment II

MEMORANDUM

DATE: December 10, 2003

TO: Budget Analyst

FROM: Garrett M. Dowd, Director SFPUC Real Estate Services

RE: Crystal Springs Golf Course Lease Amendment

In response to your request for information relative to the justification of the Crystal Springs Lease Amendment rent reductions, I provide the following explanation:

The revised rent structure allows Crystal Springs to continue to operate the property and generate substantial rent payments to the City, upgrade the property through the Capital Improvement Reserve Account and earn a modest return with the potential for some upside. The lease terms originally negotiated at Crystal Springs call for higher rents than at any other California public golf course initiated either before or after this transaction. Crystal Springs has already invested about $3.5 million in capital improvements at the golf course.

Restructuring the existing rental terms is necessary to ensure Crystal Springs Golf Partners' operating viability. This graduated, or tiered, approach has the effect of providing rent relief to the operator in the short term, but provides the City with greater participation in the upside if the property outperforms current expectations.

We hired an outside expert to evaluate and justify an appropriate rent reduction based on Industry Standards. Through that analysis, ERA made a determination that a rental reduction was in fact appropriate. The SFPU is in full support of the recommendations outlines in the ERA analysis.

Attachment III

Difference in Base Rents to be Paid by Crystal Springs

	Existing Lease	Proposed Amendment
LY 7: 2003-04	$ 1,500,000	$ 1,200,000
LY 8: 2004-05	1,500,000	1,200,000
LY 9: 2005-06	1,500,000	1,200,000
LY 10: 2006-07	1,500,000	1,200,000
LY 11: 2007-08	2,000,000	1,400,000
LY 12: 2008-09	2,000,000	1,400,000
LY 13: 2009-10	2,000,000	1,400,000
LY 14: 2010-11	2,000,000	1,400,000
LY 15: 2011-12	2,000,000	1,400,000
LY 16: 2012-13	2,250,000	1,600,000
LY 17: 2013-14	2,250,000	1,600,000
LY 18: 2014-15	2,250,000	1,600,000
LY 19: 2015-16	2,250,000	1,600,000
LY 20: 2016-17	2,250,000	1,600,000
Total base rents	$ 27,250,000	$ 19,800,000
Difference	**$ 7,450,000**	

prepared by the Budget Analyst

DEPARTMENT **REAL ESTATE SERVICES** AGENDA NO. __________

MEETING DATE **September 9, 2003**

SUMMARY OF PROPOSED ACTION:

Authorizing the General Manager of the Public Utilities Commission to execute a First Amendment to Lease between the City and County of San Francisco and Crystal Springs Golf Partners, L.P. for the operation of a public golf course and related facilities located in Burlingame, California. This First Amendment to Lease will modify the Base Rent and Percentage Rent portions of the lease, as well as the Security Deposit requirement and Capital Improvement Fund Contributions from the City.

The following is a summary of the **ERA's key findings** regarding Crystal Springs Golf Course:

- The Crystal Springs Golf Course lease was awarded to CSGP in 1996, essentially at the peak of the golf acquisition market. The lease terms negotiated at Crystal Springs call for higher rents than at any other California public golf course initiated either before or after this transaction.
- Crystal Springs Golf Course has invested about $3.5 million in capital improvements at the golf course, including $2.0 million of partnership funds and $1.5 million in Capital Improvement Program reserve funds (CIP). While this investment satisfied Crystal Springs Golf Partners' lease investment obligation, another $1.5 to $2.0 million in capital improvements is required to restore the golf course to a competitive level.
- Over the initial five years of the lease agreement where percentage rents were equal to 25% to 35% of golf related gross revenue (31% average), Crystal Springs Golf Course generated sufficient net operating income to meet its rent obligation and distributed about a 1% return on invested capital to its partners. Total return was approximately 10%, although virtually all of this was required to service bank loans. Given the risks inherent in a golf "turn around" investment, this is considered a marginal return.
- The Bay Area golf market has softened considerably over the past several years as a result of a major expansion of the golf inventory that occurred in the mid to late 1990s, combined with the effects of an economy in recession. Play and revenue levels in 2002 through June 2003 at Crystal Springs and most other Bay Area public courses is down about 10 percent compared with the same period 2001, following a 5% decline from 2000 to 2001. It is difficult to predict when the golf market will recover from overbuilding.
- At the same time that the market is softening and Crystal Springs Golf Course revenues are declining, Crystal Springs' percentage rent is increasing from 35% to 40% of golf-related revenue.
- A rule of thumb for long-term facility leases is a two-thirds share to the lessor and one-third share to the lessee. Over the last several years, the Crystal Springs lease has allocated approximately 90% to the lessor and 10% to the

lessee. The lessee is currently paying approximately 100% of its earnings in rent.

- Using current "baseline" net operating income projections for 2003 through the end of the lease term, under the existing rent structure, Crystal Springs Golf Course will be unable to meet its rent obligation or fund essential additional capital improvements. Projected baseline net operating income is $56,000 to $244,000 below rent obligations annually.

Recommendations From Independent Appraiser

The following recommendations have been made by ERA. Staff supports their recommendations.

- Restructuring the existing rental terms is necessary to ensure Crystal Springs Golf Partners' operating viability, fund additional capital improvements, and provide reasonable maintenance and golf service levels.
- The recommended approach is to substitute graduated percentage rents for the fixed percentage rent currently in place. This graduated, or tiered, approach has the effect of providing rent relief to the operator in the short term, but provides the City with greater participation in the upside if the property outperforms current expectations. Based on a review of Crystal Springs' operations and comparable lease transactions consummated over the past ten years, the following adjustment would approximate market terms:

	Current	Tiered Approach
Minimum Annual Rent	$1.5M/$2M/$2.25M*	$1.2M/$1.4M/$1.6M*
Percentage Rents		
Golf Related**	40%	30% up to $3.7M 65% over $3.7M
Food & Beverage	8%	8%
Merchandise	12%	8%
Other	12%	12%
CIP Reserve	2%	2%

* Years 6-10/11-15/16-20
** Greens, carts, and range

Specifically, under the recommended tiered approach, rent equal to 30% of the gross golf-related revenue up to $3.7 million would be assessed, while revenue above $3.7 million would be subject to rent equal to 65% of gross revenue.

The revised rent structure allows Crystal Springs Golf Partners to continue to operate the property and generate substantial rent payments to the City, upgrade the property through the Capital Improvement Reserve Account and earn a modest return with the potential for some upside.

Additional Special Amendment Clauses 3, 4, and 6:

3. Security Deposit. The Security Deposit of the Original Lease is modified to read

as follows: Equal to three (3) months' Base Rent. The amount of the Security Deposit existing on June 1, 2003, shall be reduced to an amount to equal to there (3) months' base rent and the amount in excess of $300,000 shall be deposited by Tenant into the Capital Improvement Fund, up to a maximum deposit of $500,000.

4. Capital Improvement Fund Contribution from City. The SFPUC will make contributions to the Capital Improvement Fund (CIF) in the amount of two percent (2%) of Gross Revenues. The contributions will be made in the form of monthly rent credits to Tenant which the Tenant shall immediately deposit into the CIF. City CIF deposits shall cease once the deposits equal the Additional CIF Deposit amount contributed by Tenant.

6. Two Year Lease Review. The SFPUC will review Lessee's audited annual reports for years 2003 and 2004 and compare these figures with the figures projected in Economic Research Associates' (ERA's) report. After review of the audited annual reports, the SFPUC has up to 90 days to amend the lease reflecting modifications consistent with the recommendations of ERA's report. If no amendment is provided by the SFPUC, then the existing Lease terms shall remain in full force and effect.

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Attachment V

MEMORANDUM

DATE: December 2, 2003

TO: Budget Analyst

FROM: Garrett M. Dowd, Director SFPUC Real Estate Services

RE: Required Capital Improvements

In response to your request for information on Crystal Springs' required capital improvements, I provide the following:

A rough budget of future capital expenditures includes:

New Cart Paths	$500,000
New Cart Barn	$700,000
EPA Wash Down Area[1]	$ 50,000
Golf Course Improvements	$450,000
Miscellaneous/Contingency	$300,000
Total	$2,000,000

They intend to do this work over the next 3-5 years depending on the availability of funds.

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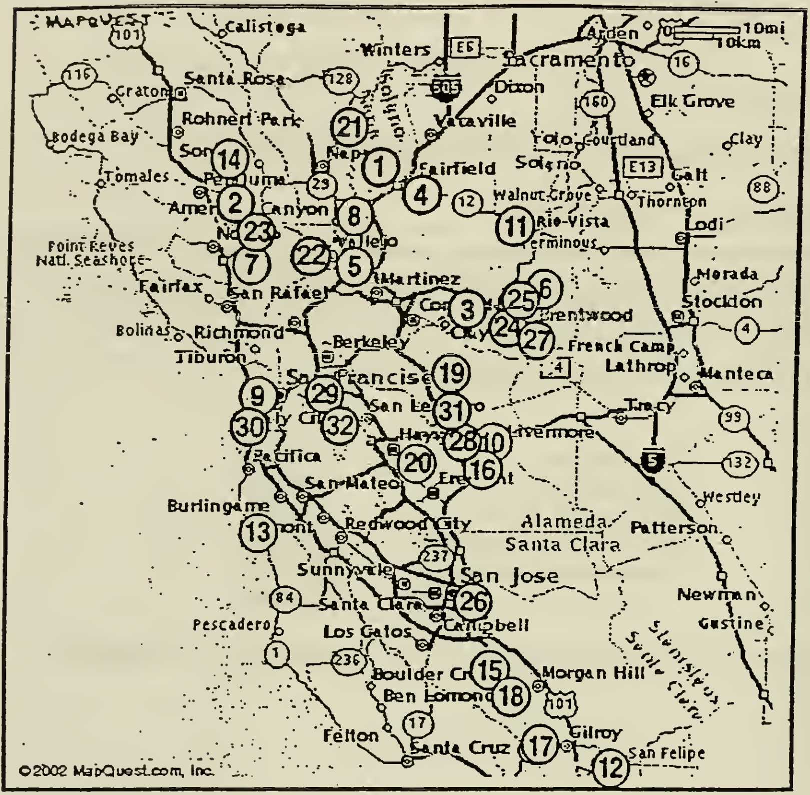
[1] The EPA Wash Down Area is a concrete area with a special drain and filter that allows Crystal Springs to wash off mowing equipment after each use. It captures grass clippings and small amounts of grease and oil from mowers, etc.

Attachment VI
Page 1 of 2

NEW ADDITIONS TO PUBLIC GOLF COURSE SUPPLY SINCE 1990
SAN FRANCISCO BAY AREA


MAPQUEST
10mi
10km
Calistoga
Winters
Sacramento
Arden
Santa Rosa
Graton
Dixon
Elk Grove
Rohnert Park
Vacaville
Bodega Bay
Yolo
Courtland
Clay
Sonoma
Napa
Fairfield
Solano
Galt
Tomales
Petaluma
American Canyon
Walnut Grove
Thornton
Novato
Vallejo
Rio Vista
Terminous
Lodi
Point Reyes Natl. Seashore
Fairfax
San Rafael
Martinez
Concord
Clayton
Morada
Stockton
Brentwood
Bolinas
Richmond
Berkeley
French Camp
Tiburon
San Francisco
Lathrop
Manteca
San Leandro
Tracy
Daly City
Hayward
Livermore
Pacifica
San Mateo
Fremont
Westley
Burlingame
Belmont
Redwood City
Alameda
Santa Clara
Patterson
Sunnyvale
San Jose
Newman
Santa Clara
Pescadero
Los Gatos
Campbell
Gustine
Stanislaus
Boulder Creek
Morgan Hill
Ben Lomond
Felton
Santa Cruz
Gilroy
San Felipe
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1 = Rancho Solano, Fairfield (1990, 18-H)
2 = Adobe Creek, Petaluma (1990, 18-H)
3 = Oakhurst, Clayton (1990, 18-H)
4 = Paradise Valley, Fairfield (1993, 18-H)
5 = Blue Rock Springs, Vallejo (1993, 18-H)
6 = Brentwood, Brentwood (1994, 27-H)
7 = McInnis Park, San Rafael (1994, 9-H)
8 = Hiddenbrooke, Vallejo (1995, 18-H)
9 = Presidio, San Francisco (1996, 18-H)
10 = Poppy Ridge, Livermore (1996, 27-H)
11 = Rio Vista, Rio Vista (1996, 18-H)
12 = San Juan Oaks, Hollister (1997, 18-H)
13 = Ocean Course, Half Moon Bay (1997, 18-H)
14 = Rooster Run, Petaluma (1998, 18-H)
15 = Cinnabar Hills, San Jose (1998, 27-H)
16 = Wente Vineyards, Livermore (1998, 18-H)
17 = Eagle Ridge, Gilroy (1999, 18-H)
18 = Coyote Creek, San Jose (1999, 18-H)
19 = The Bridges, San Ramon (1999, 18-H)
20 = Mission Hills, Hayward (1999, 9-H)
21 = Vintner's, Yountville (1999, 9-H)
22 = Mare Island, Vallejo, (2000, 9-H)
23 = Stone Tree, Novato (2000, 18-H)
24 = Roddy Ranch, Antioch (2000, 18-H)
25 = Shadow Lakes, Antioch (2001, 18-H)
26 = Las Lagos, San Jose (2002, 18-H)

Under Construction / Renovation / Proposed
27 = Deer Ridge, Antioch (Summer 2002, 18-H)
28 = Dublin Ranch, Dublin (Spring 2003, 18-H)
29 - Metropolitan, Oakland (Spring 2003, 18-H)
30 = Harding Park Redesign (Fall 2003, 27-H)
31 = Pleasanton Municipal (Fall 2003, 18-H)
32= Alameda Point Municipal (18-H, 2005)

COMPARISON OF POPULATION TO GOLF COURSE RATIOS
State of California and San Francisco Bay Area
Not Including Courses Under Construction/Proposed

	1990	2002	Change	
			Number	Percent
State of California Population	29,336,220	33,498,246	4,162,026	
No. Public-Access Golf Courses, 18-Hole Equivalents[1]	436.5	570.5	134	
Population/18-Hole Course[1]	67,208	58,717	—	13%
San Francisco Bay Area Population[2]	6,020,147	6,930,600	910,453	
No. Public-Access Golf Courses, 18-Hole Equivalents	63	88	27	
Population/18-Hole Course	95,558	78,757	—	18%

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[1] National Golf Foundation.

[2] Association of Bay Area Governments.

Source: National Golf Foundation and Economics Research Associates, 5/02.

Table 11

Trend in Annual Rounds Played
Selected Daily Fee Golf Facilities

Course Name, Location	# of Holes	Year Opened	Approx. Rounds 2001	Trend in Annual Rounds Played
Presidio, San Francisco	18	1985	78,000	Annual rounds have slightly decreased from 79,000 in 1996 to 78,000 in 2001. Management attributes the decrease to soft economic conditions though rounds have been supported by good weather conditions.
Half Moon Bay Golf Links, Half Moon Bay	36	1974/1997	70,000	Rounds have decreased from 53,000 at the Links Course in 1996 to 35,000 in 2001. The decrease is attributed mainly to soft economic conditions and the addition of 10 new courses in the Bay Area within the past few years.
Cinnabar Hills, San Jose	27	1998	76,000	Annual rounds have been steadily decreasing from 83,000 in 1999 to 76,000 in 2001. The decreases have been attributed to the soft economic conditions and lack of growth in the golf playing population in the area.
Coyote Creek, San Jose	36	1999/2001	62,000	Reopened in 1999, the Coyote Creek course has seen rounds decrease from 72,000 rounds at the Valley course to 62,000 rounds between its 2 new courses. The decrease is attributed primarily to the soft economy resulting in lower tournament rounds.
Sunol Valley, Sunol	36	1968	150,000	Rounds have increased from 136,000 to 150,000 rounds in the 1996 to 2001 period. The increase is attributed to more discounting and lower effective greens fees.
Spring Valley, Milpitas	18	1956	82,000	Annual rounds have been steadily decreasing from 86,000 in 1996 to 82,000 in 2001. This decrease is attributed to the addition of approximately four to five new golf courses in the general vicinity.
Canyon Lakes, San Ramon	18	1987	42,000	Annual rounds have remained steady at 42,000 rounds since 1996. Management states that the course location has helped the course weather the current economic conditions but that it has discounted during off-peak times to maintain rounds.
Poppy Ridge, Livermore	27	1996	75,000	Annual rounds have declined from about 80,000 in 1997 to about 75,000 rounds in 2001. The decline in play has been primarily for weekday play. In addition, the course has offered more special rates on weekdays.
Wente Vineyards, Livermore	18	1998	40,000	Annual rounds have been steady in the low 40,000 range for the last several years. To maintain play levels, course has offered new twilight rates. Regular 18-hole play has declined in recent years due to soft economic conditions.

Table 1

AUDITED SUMMARY INCOME STATEMENTS, CRYSTAL SPRINGS GOLF COURSE 1997 THROUGH 2001

	2001	2000	1999	1998	1997
Greens Fees	$ 2,225,985	$ 2,345,257	$ 2,231,883	$ 1,673,394	$ 1,974,109
Membership Dues	$ 768,405	$ 827,312	$ 834,776	$ 827,825	$ 811,020
Cart Rentals	$ 681,270	$ 666,413	$ 594,849	$ 441,809	$ 532,609
Driving Range	$ 396,502	$ 443,218	$ 546,609	$ 510,779	$ 322,634
Food and Beverage	$ 955,004	$ 756,816	$ 847,959	$ 694,612	$ 628,934
Merchandise	$ 276,954	$ 255,044	$ 251,916	$ 189,478	$ 180,855
Lessons	$ 10,980	$ 14,008	$ 77,730	$ 42,789	$ 29,515
Club Rentals	$ 51,399	$ 41,021	$ 22,914	$ 23,235	$ 28,369
Locker Rental	$ 6,329	$ 7,413	$ 6,534	$ -	$ -
Clubhouse Rental	$ 61,042	$ 39,243	$ 15,479	$ 9,038	$ 4,675
Gross Op. Revenue	$ 5,433,870	$ 5,395,745	$ 5,430,649	$ 4,412,959	$ 4,512,720
Cost of Sales					
Merchandise	$ 206,832	$ 186,228	$ 150,215	$ 167,919	$ 138,647
Food & Beverage	$ 272,746	$ 245,302	$ 334,171	$ 253,310	$ 233,882
Total Cost of Sales	$ 479,578	$ 431,530	$ 484,386	$ 421,229	$ 372,529
Net Operating Revenue	$ 4,954,292	$ 4,964,215	$ 4,946,263	$ 3,991,730	$ 4,140,191
Operating Expenses					
Course Maintenance	$ 728,913	$ 675,977	$ 811,482	$ 801,083	$ 812,732
Golf Operations	$ 640,209	$ 521,123	$ 637,312	$ 595,620	$ 559,040
Food and Beverage	$ 730,806	$ 654,720	$ 675,910	$ 613,245	$ 438,785
General & Administrative	$ 849,224	$ 1,209,365	$ 1,082,651	$ 793,067	$ 745,175
Total Operating Expenses	$ 2,949,152	$ 3,061,185	$ 3,207,355	$ 2,803,015	$ 2,555,732
NOI, Before Rent & CIP	$ 2,005,140	$ 1,903,030	$ 1,738,908	$ 1,188,715	$ 1,584,459
Less: Rent	$ 1,572,675	$ 1,583,701	$ 1,561,257	$ 1,281,879	$ 1,087,503
Less: Cap Imp Fund	$ 320,044	$ 324,634	$ 318,514	$ 263,304	$ 238,095
NOI, After Rent & CIP	$ 112,421	$ (5,305)	$ (140,863)	$ (356,468)	$ 258,861
Non Operating Income & Expense					
Loss on Abandoned Assets	$ -	$ -	$ -	$ -	$ (2,470)
Misc. Income	$ 11,768	$ 2,418	$ 2,726	$ 8,815	$ 3,334
Gain on Sale of Assets	$ -	$ 14,218	$ -	$ -	$ -
Property Tax Refund		$ 137,247	$ -	$ -	$ -
Interest Income	$ 31,948	$ 43,853	$ 55,363	$ 37,416	$ 40,027
Interest Expense	$ (107,671)	$ (131,201)	$ (106,811)	$ (48,766)	$ (27,247)
Amortization	$ (6,729)	$ (16,074)	$ (16,074)	$ (11,880)	$ (14,851)
Contributions	$ -	$ (3,000)	$ (1,552)	$ (549)	$ (2,000)
Adv. & Pro. Special Events	$ -	$ -	$ -	$ (1,000)	$ (4,172)
State Income Tax Expense	$ -	$ -	$ -	$ -	$ (800)
Subtotal	$ (70,684)	$ 47,461	$ (66,348)	$ (15,964)	$ (8,179)
Net Income	$ 41,737	$ 42,156	$ (207,211)	$ (372,432)	$ 250,682

Table 18

CRYSTAL SPRINGS RENT AND RETURN - BASELINE/CURRENT RENT STRUCTURE

(In Current $000s)

		Year													
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NOI Before Rent & CIP		$1,647	$1,588	$1,527	$1,573	$1,620	$1,669	$1,719	$1,770	$1,823	$1,878	$1,934	$1,992	$2,052	$2,114
CIP Reserve @ 2%		101	101	101	104	107	110	113	117	120	124	127	131	135	139
NOI Before Rent		$1,547	$1,488	$1,426	$1,469	$1,513	$1,559	$1,605	$1,654	$1,703	$1,754	$1,807	$1,861	$1,917	$1,974
Rent															
Golf	40.0%	$1,484	$1,484	$1,484	$1,529	$1,574	$1,622	$1,670	$1,720	$1,772	$1,825	$1,880	$1,936	$1,994	$2,054
Merchandise/Rentals	12.0%	29	29	29	30	31	32	33	34	35	36	37	38	40	41
Food & Beverage	8.0%	80	80	80	82	85	87	90	93	96	98	101	104	108	111
Other	12.0%	9	9	9	9	10	10	10	10	11	11	11	12	12	12
Total Rent		1,602	1,602	1,602	1,650	1,700	1,751	1,804	1,858	1,913	1,971	2,030	2,091	2,153	2,218
NOI After Rent & CIP		($56)	($115)	($176)	($181)	($187)	($192)	($198)	($204)	($210)	($216)	($223)	($230)	($237)	($244)
Cash Flow-CSGP	($2,000)	($56)	($115)	($176)	($181)	($187)	($192)	($198)	($204)	($210)	($216)	($223)	($230)	($237)	($244)
Internal Rate of Return		(Negative)													
City - Rent NPV @	8%	14,777													

Table 19

CRYSTAL SPRINGS RENT AND RETURN - BASELINE/TIERED RENT STRUCTURE

(In Current $000s)

		Year													
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NOI Before Rent & CIP		$1,647	$1,588	$1,527	$1,573	$1,620	$1,669	$1,719	$1,770	$1,823	$1,878	$1,934	$1,992	$2,052	$2,114
CIP Reserve @ 2%		101	101	101	104	107	110	113	117	120	124	127	131	135	139
NOI Before Rent		$1,547	$1.488	$1,426	$1,469	$1,513	$1,559	$1.605	$1,654	$1,703	$1,754	$1,807	$1,861	$1,917	$1,974
Revenue															
Greens Fees		$2,800	$2,800	$2,800	$2,884	$2,971	$3,060	$3,151	$3,246	$3,343	$3,444	$3,547	$3,653	$3,763	$3,876
Carts		560	560	560	577	594	612	630	649	669	689	709	731	753	775
Practice Range		350	350	350	361	371	382	394	406	418	430	443	457	470	484
		3,710	3,710	3,710	3,821	3,936	4,054	4,176	4,301	4,430	4,563	4,700	4,841	4,986	5,136
Index Level		$3,710	$3,784	$3,860	$3,937	$4,016	$4,096	$4,178	$4,262	$4,347	$4,434	$4,522	$4,613	$4,705	$4,799
Rent															
Golf															
Up to $3.7 million	30.0%	$1,113	$1,113	$1,113	$1,146	$1,181	$1,216	$1,253	$1,278	$1,304	$1,330	$1,357	$1,384	$1,412	$1,440
> $3.7 million	65.0%	-	-	-	-	-	-	-	26	54	84	115	148	182	219
Subtotal Golf		$1,113	$1,113	$1,113	$1,146	$1,181	$1,216	$1,253	$1,304	$1,358	$1,414	$1,472	$1,532	$1,594	$1,658
Merchandise/Rentals	8.0%	20	20	20	20	21	21	22	23	23	24	25	26	26	27
Food & Beverage	8.0%	80	80	80	82	85	87	90	93	96	98	101	104	108	111
Other	12.0%	9	9	9	9	10	10	10	10	11	11	11	12	12	12
Total Rent		1,222	1,222	1,222	1,258	1,296	1,335	1,375	1,430	1,488	1,548	1,610	1,674	1,740	1,809
NOI After Rent & CIP		$325	$266	$205	$211	$217	$224	$231	$224	$215	$207	$197	$188	$177	$166
Cash Flow-CSGP															
Internal Rate of Return	($2,000)	6.8%													
	($2,500) [1]	3.0%													
City - Rent NPV @ 8%		$11,443													

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[1] Assumes an additional $500,000 invested by the operator.

Attachment X

MEMORANDUM

DATE: December 10, 2003

TO: Budget Analyst

FROM: Garrett M. Dowd, Director SFPUC Real Estate Services

RE: Crystal Springs Golf Course Lease Amendment –rates of return

In response to your request for information relative to the rates of return for the Crystal Springs Golf Course (CSGC), I provide the following explanation:

The revised rent structure will help CSGC become an economically viable business. The revised rent structure will give CSGC the chance to recover their initial investment plus a modest 7% return as they continue to pay the City rent in excess of $1.2 million dollars per year. The ERA analysis discusses other comparable courses in detail and how CSGC relates to those courses. The report shows the proposed rent reduction is in fact justifiable given all the circumstances surrounding the initial bid process and considering other golf course operations in the region.

Additionally, it is pertinent to note that the report prepared by David Dornbusch and Company, as part of the recently approved Sunol Valley Golf Course Lease Amendment, stated that most golf course operators aim to get between 17% and 21% return. According to the report these percentages are fairly standard in the industry. The final Lease Agreement just approved by the Board of Supervisors for Sunol Valley Golf Course resulted in Sunol Valley Golf Course achieving an approximate rate of return of 13.6%. As previously stated this Lease Amendment with CSGC is proposed to achieve a mere 7% return, which is far lower than industry standard or the Sunol Valley Golf Course Lease, providing the bare minimum for CSGC to remain economically viable.

Item 7 – File 03-1985

Department: Department of Public Health (DPH)

Item: Ordinance appropriating $211,539,481, including $189,427,586 in proceeds from the sale of General Obligation Bonds (Laguna Honda Hospital, 1999) and related interest income and Tobacco Settlement Revenues (TSR) and related interest income for professional services and construction expenditures.

Amount and Source of Funds:

Proceeds from sale of General Obligation Bonds (Laguna Honda Hospital, 1999)	$189,427,586[1]
Tobacco Settlement Revenues[2]	15,992,796
Interest on TSR[3]	5,072,941
Interest earnings on Bond Proceeds	1,046,158
	$211,539,481

Description: On November 2, 1999, San Francisco voters approved Proposition A, a ballot measure authorizing the City to issue General Obligation Bonds (Laguna Honda Hospital, 1999) for the purpose of financing the acquisition, improvement, construction, and/or reconstruction of a new health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital. According to Mr. Michael Lane, Project Manager of the Laguna Honda Replacement Program, the entire Laguna Honda Hospital Replacement Program is estimated to cost $401,600,000, excluding bond financing costs. Mr. Lane expects construction to begin in early June of 2004, and estimates that the completion date for the new facility will be April of 2009, with project work continuing through 2011 to develop the parking lot and the Assisted Living facility.

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[1] The Mayor's Office of Public Finance is proposing to sell a total of $217,490,000 in bonds (see File 03-1987 of the Budget Analyst's 1/28/2004 report to the Finance and Audits Committee), or $28,062,414 more than the proposed appropriation of $189,427,586 in order to reimburse the project for the $25,000,000 of TSR's used to balance the City's FY 2003-2004 budget and to fund related bond costs.

[2] Estimate by Department of Finance of Tobacco Settlement Revenues to be received in FY 2003-2004.

[3] Estimated interest earnings on Tobacco Settlement Revenues through September 30, 2004.

The requested supplemental appropriation of $211,539,481 would provide funding for the capital improvement project expenditures for the Laguna Honda Hospital Replacement Program. Attachment I provided by Mr. Lane summarizes the total estimated project costs of $401,600,000 from calendar year 2002 through 2009. As shown in Attachment I, $294,290,865, or approximately 73% of the total estimated project costs of $401,600,000 needs to be encumbered by September 2004 in order for the project to remain on track for a scheduled completion date of April 2009. According to Mr. Lane Contract awards for the Phase I construction will occur by April 1, 2004. A summary of the source of funds for the total estimated project costs of $401,600,000 is as follows:

GO bonds approved in the November 1999 general election[4]	$295,480,901
Tobacco Settlement Revenues	100,000,000
Interest Earned on TSR[5]	5,072,941
Interest Earned on Bond Proceeds[6]	1,046,158
Total:	$401,600,000

According to Mr. Lane, the Board of Supervisors has previously appropriated $82,751,384 for the Laguna Honda Hospital Replacement Program from Tobacco Settlement Revenues. As noted above, the amount requested for capital improvement project expenditures under this supplemental appropriation report is $211,539,481. Attachment II, provided by Mr. Lane, provides a budget for the total estimated project costs of $401,600,000 including the subject requested

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[4] The City is authorized to issue and sell up to $299.0 million in General Obligation Bonds. Ms. Erin McGrath of the Mayor's Budget Office estimates that interest earnings on the Tobacco Settlement revenue and on the Bond proceeds through September 30, 2004 will total $6,119,099, which together with the $100,000,000 in TSR results in a need for the balance of $295,480,901 from General Obligation Bonds to be issued and sold to finance the $401,600,000 in total estimated project costs.

[5] Estimated interest earnings on the TSR's through September 30, 2004.

[6] Estimated interest earnings on the Bond proceeds through September 30, 2004.

$211,539,481 for the Laguna Honda Replacement Program capital improvement expenditures.

The proposed supplemental appropriation would provide funding for the construction of three of the four new replacement buildings (the South Resident, the Link, the East Resident building) and renovation of a portion of the Main Building (Wings C and H) as further described in Attachment No. III provided by Mr. Lane. According to Mr. Lane, $26,654,879 of this request would be used to fund the Construction Manager-at-Risk contract to Turner Construction Company to manage the entire construction of the new buildings, renovation and site work. According to Mr. Lane, Turner Construction will, in turn, competitively bid, under the supervision of the Department of Public Works, all of the construction work to subcontractors. The Turner Construction Company will only manage the construction work and will not perform the contract construction work. The use of the Construction Manager-at-Risk approach for the Laguna Honda Replacement Program was approved by the Board of Supervisors in December of 2002 (File No. 02-1914).

Budget: $211,539,481 as contained in Attachment II provided by Ms. Lane.

Comment: The first issue and sale of the GO bonds is scheduled on or about April 1, 2004 for a not to exceed amount of $230,000,000 (see File 03-1987 of the Budget Analyst's January 28, 2004 report to the Finance and Audits Committee).

Recommendations: Approve the proposed ordinance.

Attachment 1

Laguna Honda Hospital Replacement Program - Encumbrance Schedule

	2002	2003	2004	2005	2006	2007	2008	2009	Total
Construction	6,954,436	16,589,243	206,608,782	0	63,265,272	0	4,353,678	13,828,589	311,600,000
Professional Services									
Environmental Impact Report	301,363	13,140	0	0	0	0	0	0	314,503
Architecture/Engineering	25,728,641	7,978,348	2,679,201	0	0	0	0	0	36,386,190
Hazardous Materials Consultant	387,384	370,912	161,980	0	292,453	0	0	522,084	1,734,813
Program Management	2,544,478	470,690	0	0	3,625,414	0	0	0	6,640,582
Construction Management	1,888,746	1,898,191	6,421,642	0	6,421,643	0	0	0	16,630,222
Miscellaneous Consultants	97,260	83,380	0	0	0	0	0	0	180,640
Testing and Inspection	9,669	185,179	5,805,152	0	0	0	0	0	6,000,000
Permits and Fees	4,439,747	447,294	1,226,007	0	0	0	0	0	6,113,048
Activation	0	0	1,000,000	0	0	0	0	0	1,000,000
Total Professional Services	35,397,288	11,447,134	17,293,982	0	10,339,510	0	0	522,084	74,999,998
Assisted Living	0	0	0	0	15,000,000	0	0	0	15,000,000
Total:	42,351,724	28,036,377	223,902,764	0	88,604,782	0	4,353,678	14,350,673	401,600,000
Cumulative:	42,351,724	70,388,101	294,290,865	294,290,865	382,895,647	382,895,647	387,249,325	401,600,000	
Percentage of Total:	11%	18%	73%	73%	95%	95%	96%	100%	

Attachment II

Laguna Honda Hospital Replacement Program - Uses of Funds

	Current	Requested Supplemental	TOTAL	Future Request	TOTAL
SUMMARY					
Construction					
Utility Work	$5,958,516	$4,818,641	$10,777,157	$150,000	$10,927,157
Construction Manager-at-Risk	$0	$26,654,879	$26,654,879	$0	$26,654,879
Arts Commission (Art Enrichment Implementation Program)	$1,546,111	$2,393,889	$3,940,000	$0	$3,940,000
Completion of Site Work I, II, III	$7,054,880	$8,247,385	$15,302,265	$10,062,249	$25,364,514
Foundations & Framing (South Resident, Link & East Resident Buildings)	$0	$27,916,637	$27,916,637	$0	$27,916,637
Enclosure & Contents (South Resident, Link & East Resident Buildings)	$0	$127,266,090	$127,266,090	$0	$127,266,090
West Clarendon Building (Foundations, Enclosure & Contents)	$0	$0	$0	$63,419,907	$63,419,907
Existing Building Remodel	$0	$15,256,474	$15,256,474	$0	$15,256,474
Oyster Point Laundry	$1,707,500	$0	$1,707,500	$0	$1,707,500
Haz Mat	$76,600	$1,254,859	$1,331,459	$5,820,823	$7,152,282
Professional Services					
Environmental Impact Report	$295,342	$19,161	$314,503	$0	$314,503
Architecture/Engineering	$31,139,555	$5,246,635	$36,386,190	$0	$36,386,190
Hazardous Materials	$1,724,813	-$804,537	$920,276	$814,537	$1,734,813
Program Management	$4,105,633	-$1,090,465	$3,015,168	$3,625,414	$6,640,582
Construction Management	$15,542,434	-$5,333,854	$10,208,580	$6,421,643	$16,630,222
Miscellaneous Consultants	$100,000	$80,640	$180,640	$0	$180,640
Testing and Inspection	$6,000,000	$0	$6,000,000	$0	$6,000,000
Fees and Permits	$7,500,000	-$1,386,953	$6,113,047	$0	$6,113,047
Activation	$0	$1,000,000	$1,000,000	$0	$1,000,000
Childcare Tenant Improvements	$0	$0	$0	$1,994,560	$1,994,560
Assisted Living	$0	$0	$0	$15,000,000	$15,000,000
Total	**$82,751,384**	**$211,539,481**	**$294,290,865**	**$107,309,133**	**$401,600,000**

City & County of San Francisco
Laguna Honda Hospital Replacement Program

Willie Lewis Brown, Jr., Mayor
Mitchell H. Katz, MD, Director of Public Health
Edwin M. Lee, Director of Public Works

January 15, 2004

TO: Robin Courtney
Budget Analyst's Office

FROM: Michael Lane
Laguna Honda Hospital Replacement Program

SUBJECT: Supplemental Appropriations Request
Proposed Use of Funding

This memo confirms that the proposed $211,539,481 supplemental appropriation is required to provide funding for the construction of three of the four new replacement buildings: the South Resident, the Link and the East Resident building and renovation of wings C and H of the existing main building. The sequence for the Replacement Program is as follows:

Phase I

Prior to the construction of new buildings, two construction contracts were awarded for modifications to the utilities and site work preparation. The latter included demolition of existing structures to allow construction of the new buildings.

The South Resident, the Link and the East Resident buildings will be bid into three packages:

> The first package includes the Utilities, Foundation and Structural Framing (Increment 1) with a cost estimate of $27,646,637. Award of this contract is projected in April 2004.
>
> The second package consists of the Enclosures and Contents (Increment 2) with a cost estimate of $127,266,090. Award of this contract is projected in July 2004.
>
> The third package is the Renovation of the Existing Building, Wings C and H, with a cost estimate of $15,256,474. Award of this contract is projected in September 2004. Wings A and B of the existing main building will remain and will not be demolished, however, they are excluded in the scope of work for the renovation of the existing main building.

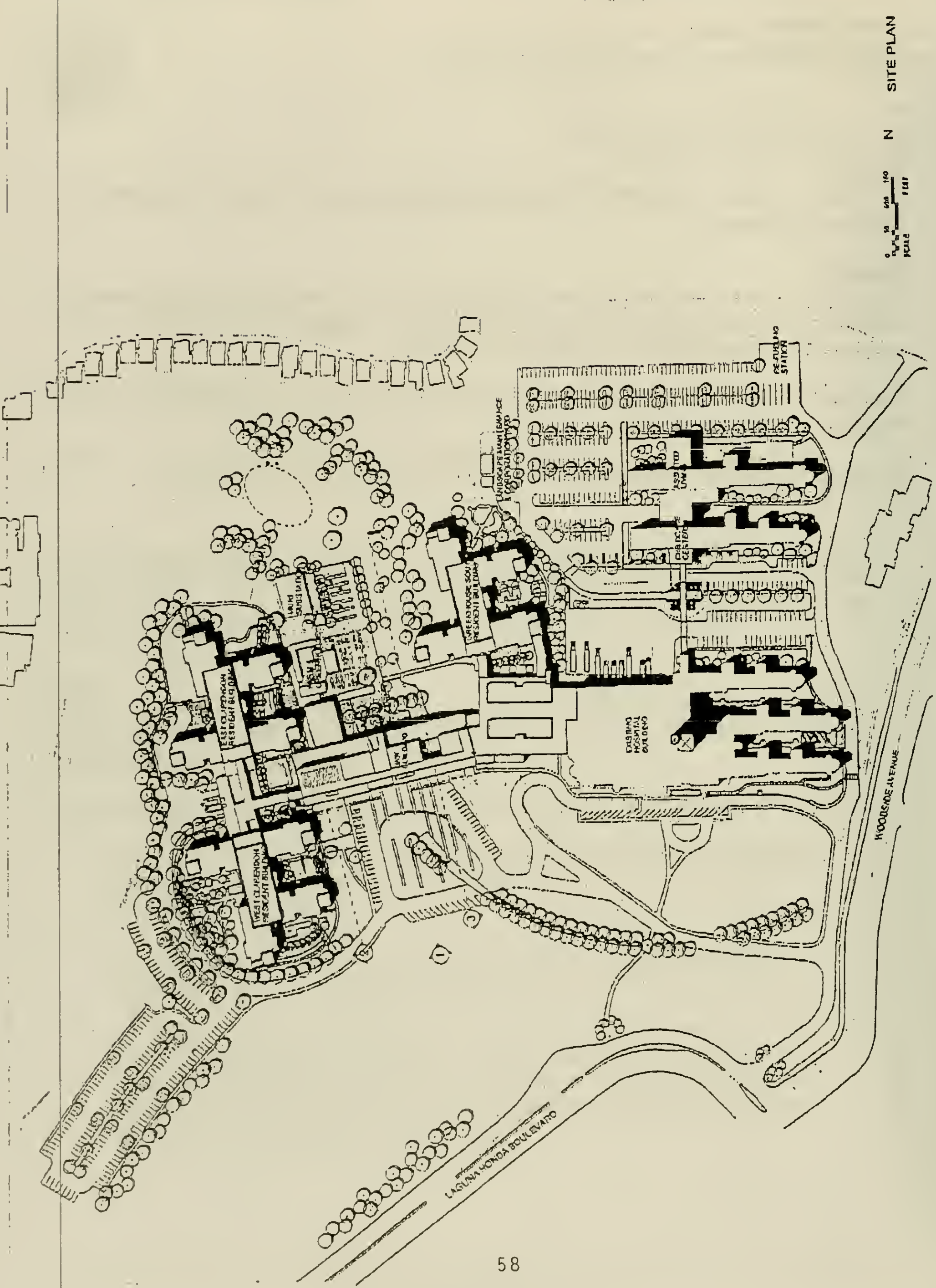
375 Laguna Honda Boulevard, San Francisco, CA 94116
(415) 759-4583 Fax (415) 759-4584
www.dph.sf.ca.us/LHHReplace

Phase II
In Phase II, Clarendon Hall will be demolished and the fourth new building, West Resident Building, will be built.

Phase III
Wings D, E, F, G and the ends of L and O will be demolished. Wings K, M and the remaining sections of L and O will be converted to Assisted Living. Construction of a parking lot and access to the existing building will be included in this phase.

Funding for construction of Phases II and III will be the subject of a future appropriations request.

If I can be of further assistance, please call me at 759-4595.


SITE PLAN
N
SCALE
FEET
RE-FUELING STATION
CHILDCARE CENTER
GREENHOUSE SOUTH RESIDENT BUILDING
EAST CLARENDON RESIDENT BUILDING
WEST CLARENDON RESIDENT BUILDING
EXISTING HOSPITAL BUILDING
WOODSIDE AVENUE
LAGUNA HONDA BOULEVARD

Item 8 and 9 - Files 03-1986 and 03-1987

Department: Mayor's Office of Public Finance (MOPF)
Department of Public Health (DPH)

Item: File 03-1986 is a resolution providing for the issuance of the not to exceed $299,000,000 aggregate principal amount of City and County of San Francisco General Obligation Bonds (Laguna Honda Hospital Bonds, 1999) authorizing the execution, authentication and registration of said bonds; providing for the levy of a tax to pay the principal and interest thereof; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts relating thereto; ratifying certain actions previously taken; and granting general authority to City Officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds.

File 03-1987 resolution authorizing and directing the sale of not to exceed $230,000,000 in City and County of San Francisco General Obligation Bonds (Laguna Honda Hospital Bonds, 1999), (the "Bonds") or $69,000,000 less than the $299,000,000 issuance that would be authorized under File 03-1986; to be issued in four series, Series 2004A, Series 2004B, Series 2004C and Series 2004D; prescribing the form and terms of said bonds; authorizing the execution, authentication and registration of said bonds; providing for the appointment of depositories and other agents for said bonds; providing for the establishment of accounts relating thereto; approving the forms of the Official Notice of Sale and the Notice of Intention to Sell Bonds; directing the publication of the Notice of Intention to Sell bonds; approving the form and execution of the Official Statement relating thereto; approving the form of the Continuing Disclosure Certificate; approving modifications to the documents; ratifying certain actions previously taken; and granting general authority to city Officials to take necessary actions in connection with the authorization, issuance, sale and delivery of said bonds.

Amounts:

Description	Amount
File 03-1986 Authorization for the Issuance Of Laguna Honda Hospital Project Bonds	Not to exceed $299,000,000
File 03-1987 Authorization for the Sale of the Initial Series of the above Laguna Honda Hospital Project Bonds, Series 2004A, Series 2004B, Series 2004C, and Series 2004D	Not to exceed $230,000,000

Source of Funds: City and County of San Francisco General Obligation Bonds (Laguna Honda Hospital Bonds, 1999).

Description: On November 2, 1999, San Francisco voters approved Proposition A, a ballot measure authorizing the City to issue up to $299,000,000 in General Obligation Bonds to finance the acquisition, improvement, construction, and/or reconstruction of a new health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital. According to Mr. Michael Lane, Project Manager of the Laguna Honda Hospital Replacement Program, the entire Project is estimated to cost $401,600,000, excluding bond financing costs. Attachment I provided by Mr. Lane contains a budget for the total estimated project costs of $401,600,000.

In addition to the GO Bond proceeds of up to $299,000,000, an additional $100,000,000 will be funded from Tobacco Settlement Revenues (TSR's). The balance in funding will come from interest earnings on the GO Bond proceeds and on the Tobacco Settlement Revenues. According to Ms. Erin McGrath, of the Mayor's Budget Office, the estimated interest income on the TSR's received through September 30, 2004, total $5,072,941 and the interest income on the bond proceeds through September 30, 2004, are estimated to total $1,046,158, for total estimated interest income of $6,119,099. If all $299,000,000 of the GO Bonds were issued, the total of all funding sources through September 30, 2004 would be an estimated $405,119,099, or $3,519,099 more than the total $401,600,000 needed for the Project. According to Ms. Ribble, interest earnings on the GO Bond proceeds and on the Tobacco Settlement Revenues that exceed original esimates will enable the MOPF to sell fewer bonds than have been approved.

According to Mr. Lane, the estimated completion date for the new facility is April of 2009, with project work continuing through 2011 to develop a parking lot and an Assisted Living facility. Mr. Lane will distribute the first bid packages to prospective contractors in January for the utility, foundation and structural framing for the South Residential, Link and East Clarendon buildings. The Contractor-At-Risk, under the supervision of the Department of Public Works, will negotiate and award the contracts for this work by April 4, 2004, according to Mr. Lane. Expenditures for these contracts are estimated to follow two to three months after the contracts are awarded, according to Mr. Lane.

The Board of Supervisors previously appropriated $82,751,384 for the Laguna Honda Hospital Replacement Program from Tobacco Settlement Revenues. Mr. Lane advises that the project needs additional appropriations of $211,539,481 or a total of $294,290,865 by September of 2004 in order to stay on track with the project schedule. According to Ms. Karen Ribble of the Mayor's Office of Public Finance (MOPF), MOPF currently anticipates selling General Obligation Bonds totaling $217,490,000 on or about April 1, 2004, resulting in net estimated bond proceeds to be deposited to the Project Fund of $214,600,000. However, Ms. Ribble advises that this estimated amount required for the

Project may be adjusted after Mr. Lane receives the actual construction bids in the first quarter 2004, although the sale of bonds will not exceed the maximum $230,000,000 specified in the proposed resolution.

According to Ms. Ribble, the Laguna Honda GO bonds are to be sold on or about April 1, 2004 and will be used to pay (a) bond issuance costs, (b) the underwriter's fee, (c) the bond insurance premium, and (d) project related expenses, as shown in Attachment II, provided by MOPF and summarized below:

Sources:	
Bond Par Amount	$217,490,000[1]
Total Sources:	**$217,490,000**
Uses:	
Project Expenditures	$214,600,000
Bond Issuance Costs	1,200,000
Underwriter's Discount	918,725
Bond Insurance	728,047
Additional Proceeds	43,228[2]
Total Uses:	**$217,490,000**

According to Mr. Lane, the Project will involve three Phases. During Phase I three of the four new replacement buildings (the South Resident, the Link, and the East Resident buildings) would be constructed and a portion of the existing main building (Wing C and H) would be renovated. Phase I is currently underway and is projected to be complete by 2007. During Phase II a fourth new building will be constructed (West Clarendon) and the existing Clarendon Hall will be demolished. During Phase III the demolition and site work around the old main building will be completed and a parking lot facility and an Assisted Living facility will be developed. These Phases are further explained in Attachment III, provided by Mr. Lane.

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[1] The MOPF is proposing to sell a total of $217,490,000 in bonds or $28,062,414 more than the proposed appropriation of $189,427,586 (see File 03-1985 of the Budget Analyst's 1/28/2004 report to the Finance and Audits Committee) in order to reimburse the project for the $25,000,000 of TSR's used to balance the City's FY 2003-2004 budget and to fund related bond costs.

[2] Additional proceeds result from the sizing to the nearest $25,000 par amount for auction rate securities (ARS) and $5,000 for variable rate demand bonds (VRDB). Such additional proceeds are usually deposited into the costs of issuance account of the project fund and, if not needed, then used for direct project costs.

File 03-1986

The proposed resolution would authorize the issuance of an aggregate principal amount not to exceed $299,000,000 of Laguna Honda Hospital Bonds, 1999 Bonds for the improvement, construction or reconstruction of a new healthcare, assisted living or other type of continuing care facility to replace Laguna Honda Hospital, and to pay for the bond issuance costs.

General provisions in the resolution regarding the proposed issuance of the Laguna Honda Hospital Bonds are as follows:

- The bonds shall be issued and sold in one or more series and as variable or fixed interest rate obligations, as authorized by the Board of Supervisors.
- Property Taxes collected to pay debt service on the bonds would be deposited in a special account, which would be created specifically for this purpose ('the Bond Account').
- The proceeds of the sale of the bonds would be deposited into a Project Account, maintained by the City Treasurer, and would be applied exclusively to the Laguna Honda Hospital Project approved under the subject Bond.
- Interest accrued on the Bonds to the date of payment of the purchase price would be deposited in the Bond Account.
- Any moneys remaining in the Project Account after the completion of the Project shall be transferred to the Bond Account and applied to the payment of principal and interest on the Bonds. Amounts in this Project Account may also be applied to the payment of costs of issuance of the Bonds.

- The annual tax levy for a variable rate bond for the payment of principal and interest will be based on the estimated interest rate recommended by the Director of Public Finance in consultation with the Controller. In the event the proceeds of the annual tax levy for the Bonds are not sufficient to pay the debt service, a temporary transfer of funds from other sources sufficient to pay debt service is authorized.

- The City Treasurer may appoint fiscal agents or financial institutions to distribute bond interest and principal payments. According to Ms. Ribble, bond documents provide for the Treasurer's Office to act as co-trustee, performing all or some of the tasks associated with administering the program. In addition, the subject legislation gives the officials of the Treasurer's and Controller's offices the authority to modify the documents to allow for the City to serve as sole trustee.

- The proposed resolution approves the purchase of credit enhancement and liquidity facilities for the bonds.

File 03-1987

The proposed resolution would authorize and direct the sale of the Laguna Honda Hospital, 1999 Bonds, Series 2004A, 2004B, 2004C, and 2004D in an aggregate principal amount not to exceed $230,000,000. The proposed resolution would also approve the form and terms of the documents and official notices related to the sale, and authorize City officials to take various actions necessary to carry out the sale of the General Obligation Bonds.

General provisions in the subject resolution regarding the sale of the bonds are as follows:

- The sale of the bonds is tentatively scheduled for April 1, 2004.

- The bonds would be sold at an interest rate not to exceed 12 percent per year and would have a final maturity of not later than June 15, 2034. Ms. Ribble advises that June 15, 2029 is the anticipated maturity date of the subject bonds, resulting in a bond term of 25 years.[3]

- An official statement describing the proposed bonds is referenced in the proposed resolution and is contained in File 03-1987. The official statement would be available to all potential bidders for the bonds.

- Bonds issued in the fixed rate mode, if any, would be awarded to the bidder whose bid represents the lowest true interest cost to the City.

According to Ms. Ribble, on October 21, 2001, the MOPF issued an RFP for remarketing and underwriting services for the financing of the Project. Four underwriters were selected including two minority-owned DBE firms, E. J. de la Rosa and Jackson Securities (both are also MBE firms) and two large, national, highly capitalized firms, Bear Stearns and Bank of America. According to Ms. Ribble, all of these firms were selected based on qualifications. The MOPF used the fee information received from each of the firms who responded to the RFP to determine the market rate which they then used to negotiate the fees for the four firms selected above.

Variable Rate Versus Fixed Rate General Obligation Bonds:

For this proposed General Obligation Bond issuance, MOPF is proposing to issue variable rate bonds rather than fixed rate bonds primarily for two reasons, according to Ms. Monique Moyer, Director of Public Finance. First, the lower interest costs of variable rate bonds results in lower

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[3] Since the tentative sale date of the bonds is April 1, 2004, the term of the GO Bonds will be 25 years, 2 months and 15 days.

Property Tax levys to pay debt service. Second, the variable rate nature of the debt is more consistent with the variable nature of tobacco settlement receipts. According to Public Financial Management, Inc., one of MOPF's two Financial Advisors, issuing $217,490,000 through a variable rate structure will save an estimated $42,409,713 in interest payments over the life of the bonds compared to fixed rate bonds. Attachment IV, provided by Ms. Ribble, is a historical comparison of two indices - the BMA[4], representing rates on weekly variable bonds, and the BBI[5], representing tax-exempt interest rates on long term debt. After considering the additional $8,525,333[6] in ongoing costs associated with administering the variable rate bond program, and higher issuance costs for the sale of the fixed rate General Obligation Bonds of $423,468, the estimated net savings to the City of the proposed variable rate program are $34,307,848 ($42,409,713 less $8,525,333 plus $423,468), or approximately 15.8% of the total of $217,490,000 in bonds. Attachment V, provided by Ms. Ribble, explains the increased costs of $8,525,333 to issue and administer the variable rate bonds. According to Ms. Ribble, the reduced borrowing costs enable a larger portion of the debt service to be paid from Tobacco Settlement Revenues.

Ms. Ribble also advises that the proposed variable rate bonds offer more flexibility in terms of repayment than fixed rate bonds. For example, if the City should elect to prepay the bonds, there is no prepayment penalty associated with variable rate bonds because just like the Bonds can be "put" each week by the holders for par, they can also be redeemed each week by the City for par. In contrast, a fixed rate bond issue has a lockout period of typically seven to 10 years during which time the City could not prepay principal.

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[4] The Bond Market Association SWAP Index (BMA) was conceived in 1989 and is comprised of a broad list of short-term municipal securities across the nation. At any given time, it represents an average of approximately 250 separate tax-exempt variable rate bonds nationwide. The BMA re-sets every Thursday.

[5] The General Obligation Bond Index (BBI) is an index of municipal general obligation bonds maturing in 20 years. The 20-bond index has an average rating of only Aa3 and AA.

[6] The ongoing costs associated with administering a floating rate bond program include the cost of a remarketing agent, liquidity provider, remarketing agent, and broker-dealer fees.

Concurrently with the issuance of the Bonds, MBIA Insurance Corporation, a Triple-A rated bond insurer, will issue its Municipal Bond Insurance for the bonds, at a cost to the City of $728,047,000, according to Ms. Ribble. Such insurance unconditionally guarantees the payment of any portion of the principal and interest on the bonds which becomes due for payment but which is unpaid. According to Ms. Moyer, bond insurance is used for two reasons. First, the savings in interest expense outweighs the cost of the premium as required by IRS regulations. Second, buyers of short-term paper are more comfortable relying on bond insurance than an issuer's own ability and willingness to pay.

According to Ms. Ribble, the risks associated with the issuance of variable rate debt are: (a) rising short-term interest rates; (b) Property Tax revenue shortfalls; (c) credit risk; (d) remarketing risk; (e) liquidity facility renewal risk; and (f) failed auction risk for the variable bonds. Attachment VI from Ms. Ribble explains each of these financial risks and how such risks will be mitigated by MOPF.

Comments:

1. According to Mr. Lane, a total of $294,290,865 will need to be appropriated by the Board of Supervisors by September 2004 to remain on target with the project schedule. To date, the Board of Supervisors has appropriated a total of $82,751,384 from Tobacco Settlement Revenues for the Laguna Honda Hospital Replacement Project, resulting in an additional need to appropriate GO bonds of $211,539,481 (See File 03-1985 of the Budget Analyst's report to the Finance and Audits Committee of January 28, 2004).

2. According to Ms. Ribble, the City and County of San Francisco has never issued variable rate GO bonds but the Board of Supervisors has previously

authorized variable rate Lease Revenue Bonds[7], and the MOPF has worked with several governmental agencies involved in issuing non-GO variable debt. In November of 2000, the City issued $157.5 million in variable rate demand notes for the Moscone West. The average interest rate for such bonds has been 1.47 percent in the 36 months that the bonds have been outstanding. In June of 1992, the Association of Bay Area Governments (ABAG) Finance Authority for Nonprofit Corporations, issued $143 million of floating rate bonds to finance the De Young Museum Project. The average interest rate for such bonds has been 0.95 percent in the 17 months that the bonds have been outstanding. In March of 2003, the State of California issued, through its California Infrastructure and Economic Development Bank, $60 million in floating rate bonds to finance the Academy of Sciences renovation. The average interest rate for such bonds has been 0.83 percent in the eight months that the bonds have been outstanding.[8]

3. According to Ms. Ribble, based on current market estimates as of January 1, 2004, the overall effective annual variable interest rate on the GO bonds would be approximately 1.33 percent. However, for purposes of financial planning and comparison to fixed rate bonds, MOPF has assumed a variable interest rate of 3.3847 percent, or over two and one half times current rates, as a projected lifetime rate. Based on this projection it is estimated that the proposed sale of GO bonds in the amount of $217,490,000 would result in a total debt service (from June 15, 2004 through June 15, 2029) of approximately $329,493,554, including the principal amount of $217,490,000 and interest of $112,003,554 with an estimated average annual debt service over the estimated 25-year life of the

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[7] MOPF worked with Convention Facilities management in issuing variable rate bonds for the Moscone Convention Center West expansion project.

[8] The rates noted above are average weekly rates to date, annualized. These rates are net of their onging fees for broker-dealer and auction agent fees. The all-in True Interest Cost (TIC) rates would be an additional 25 basis points.

bonds of $13,179,742[9].

4. Ms. Ribble states that the proposed sale of the entire not to exceed amount of $230,000,000 in GO bonds (File 03-1987), in contrast to the requested amount needed of $217,490,000, assuming that the bonds would be sold with an overall effective lifetime interest rate of 3.3847 percent, would result in total interest costs of approximately $118,476,467 and total debt service costs of approximately $348,476,467 over the estimated 25-year life of the bonds. The average annual debt service would be $13,939,058[7].

5. According to Ms. Ribble, the proposed sale of GO Bonds in the amount of $217,490,000 would result in an increase in the Property Tax rate of approximately $0.01377627 per $100 of assessed value. At that incremental property tax rate, the owner of a single-family residence assessed at $400,000, after deducting $7,000 for the homeowners exemption, would pay approximately $54.14 in additional Property Taxes annually due to the issuance of these bonds.

6. Ms. Ribble states that the cost of selling the $217,490,000 in General Obligation bonds, including fees for outside bond counsel, financial advisors, rating agency advisors, financial printing, advertising, and the services of the Mayor's Office of Public Finance, the Treasurer's Office, the Controller's Office and City Attorney, are estimated to total $1,200,000 or approximately 0.55 percent of the total value of the bonds issued in the amount of $217,490,000. Attachment VII provided by the Mayor's Office of Public Finance, details the estimated bond issuance costs.

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[9] Based on an estimated issue date for the bonds of April 1, 2004, or a term of 25 years, 2 months, and 15 days.

7. The City's GO Bond debt capacity is limited under Section 9.106 of the City Charter to three percent of the City's net assessed property valuation. According to Ms. Ribble, the City's total General Obligation debt capacity is currently $2,944,358,041 or 3 percent of the City's estimated net assessed property valuation of $98,145,268,023 for FY 2003-2004.

As of December 31, 2003, the City had $910,865,000 in outstanding General Obligation bonds. The City will make additional principal payments totaling $66,520,000 by June 15, 2004, resulting in an outstanding principal amount of $844,345,000 as of June 30, 2004. If the proposed bonds are issued in the estimated amount of $217,490,000, the City will have $1,061,835,000 ($844,345,000 plus $217,490,000) in GO bonds outstanding, or $1,882,523,041 below the City's total General Obligation debt capacity of $2,944,358,041. The City's bond debt capacity varies from time to time as a result of paying off previously issued bonds, the issuance of new bonds and changes in the City's assessed valuation. Attachment VIII, provided by Ms. Ribble, projects the debt capacity for FY 2003-2004 through FY 2009-2010.

8. All of the proceeds from the sale of the estimated $217,490,000 in GO Bonds will be subject to future appropriation approval by the Board of Supervisors, including a supplemental appropriation for $211,539,481 under File 03-1985 in the Budget Analyst's report to the Finance and Audits Committee of January 28, 2004.

Recommendation: Approve the proposed resolution.

ATTACHMENT I

	Current	Requested Supplemental	TOTAL	Future Request	TOTAL
Summary					
Utility Work	$5,958,516	$4,818,641	$10,777,157	$150,000	$10,927,157
Construction Manager-at-Risk	$0	$26,654,879	$26,654,879	$0	$26,654,879
Arts Commission (Art Enrichment Implementation Program)	$1,546,111	$2,393,889	$3,940,000	$0	$3,940,000
Completion of Site Work I, II, III	$7,054,880	$8,247,385	$15,302,265	$10,062,249	$25,364,514
Foundations & Framing (South Resident, Link & East Resident Buildings)	$0	$27,916,637	$27,916,637	$0	$27,916,637
Enclosure & Contents (South Resident, Link & East Resident Buildings)	$0	$127,266,090	$127,266,090	$0	$127,266,090
West Clarendon Building (Foundations, Enclosure & Contents)	$0	$0	$0	$63,419,907	$63,419,907
Existing Building Remodel	$0	$15,256,474	$15,256,474	$0	$15,256,474
Oyster Point Laundry	$1,707,500	$0	$1,707,500	$0	$1,707,500
Haz Mat	$1,801,413	$450,322	$2,251,735	$6,635,360	$8,887,095
Professional Services	$51,182,964	-$1,077,884	$50,105,080	$10,047,057	$60,152,137
Fees and Permits	$7,500,000	-$1,386,953	$6,113,047	$0	$6,113,047
Testing and Inspection	$6,000,000	$0	$6,000,000	$0	$6,000,000
Childcare Tenant Improvements	$0	$0	$0	$1,994,560	$1,994,560
Activation	$0	$1,000,000	$1,000,000	$0	$1,000,000
Assisted Living	$0	$0	$0	$15,000,000	$15,000,000
Total	**$82,751,384**	**$211,539,481**	**$294,290,865**	**$107,309,135**	**$401,600,000**

ATTACHMENT II

Laguna Honda Hosptial
General Obligation Bonds
Series 2004

Sources	Series A (ARS)	Series B (ARS)	Series C (VRDB)	Series D (VRDB)	Total
Par Amount	62,500,000.00	62,500,000.00	62,490,000.00	30,000,000.00	217,490,000.00
Total:	62,500,000.00	62,500,000.00	62,490,000.00	30,000,000.00	217,490,000.00

Uses	Series A (ARS)	Series B (ARS)	Series C (VRDB)	Series D (VRDB)	Total
Project Fund	61,661,100.23	61,661,100.23	61,670,790.42	29,607,009.13	214,600,000.00
Cost of Issuance	344,843.44	344,843.44	344,788.27	165,524.85	1,200,000.00
Underwriter's Discount	264,013.58	264,013.58	263,971.33	126,726.52	918,725.00
Bond Insurance	209,218.65	209,218.65	209,185.17	100,424.95	728,047.42
Rounding	20,824.11	20,824.11	1,264.81	314.55	43,227.58
	62,500,000.00	62,500,000.00	62,490,000.00	30,000,000.00	217,490,000.00

City & County of San Francisco
Laguna Honda Hospital Replacement Program

Willie Lewis Brown, Jr., Mayor
Mitchell H. Katz, MD, Director of Public Health
Edwin M. Lee, Director of Public Works

January 15, 2004

TO: Robin Courtney
Budget Analyst's Office

FROM: Michael Lane
Laguna Honda Hospital Replacement Program

SUBJECT: Supplemental Appropriations Request
Proposed Use of Funding

This memo confirms that the proposed $211,539,481 supplemental appropriation is required to provide funding for the construction of three of the four new replacement buildings: the South Resident, the Link and the East Resident building and renovation of wings C and H of the existing main building. The sequence for the Replacement Program is as follows:

Phase I

Prior to the construction of new buildings, two construction contracts were awarded for modifications to the utilities and site work preparation. The latter included demolition of existing structures to allow construction of the new buildings.

The South Resident, the Link and the East Resident buildings will be bid into three packages:

> The first package includes the Utilities, Foundation and Structural Framing (Increment 1) with a cost estimate of $27,646,637. Award of this contract is projected in April 2004.
>
> The second package consists of the Enclosures and Contents (Increment 2) with a cost estimate of $127,266,090. Award of this contract is projected in July 2004.
>
> The third package is the Renovation of the Existing Building, Wings C and H, with a cost estimate of $15,256,474. Award of this contract is projected in September 2004. Wings A and B of the existing main building will remain and will not be demolished, however, they are excluded in the scope of work for the renovation of the existing main building.

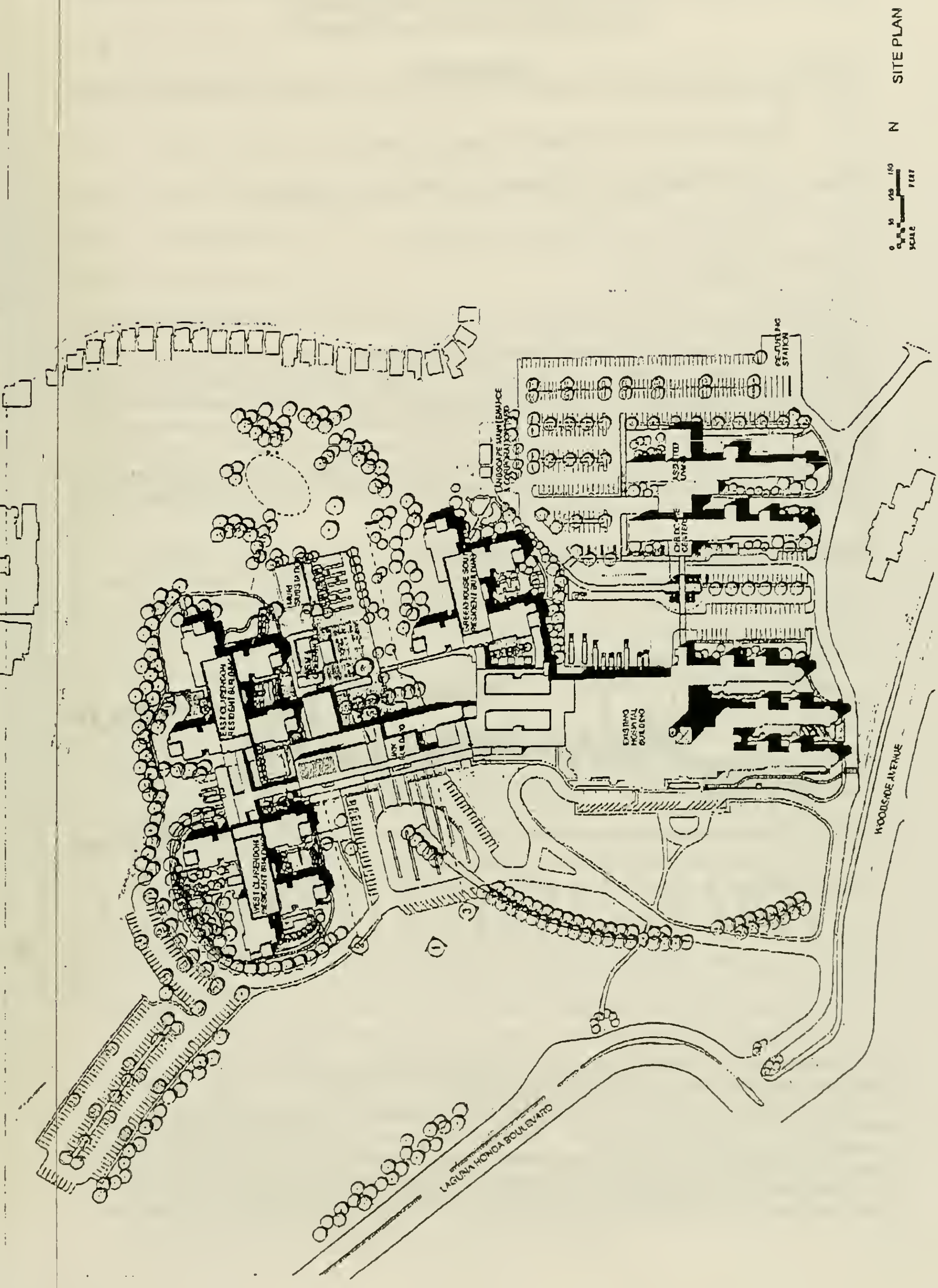
Phase II
In Phase II, Clarendon Hall will be demolished and the fourth new building, West Resident Building, will be built.

Phase III
Wings D, E, F, G and the ends of L and O will be demolished. Wings K, M and the remaining sections of L and O will be converted to Assisted Living. Construction of a parking lot and access to the existing building will be included in this phase.

Funding for construction of Phases II and III will be the subject of a future appropriations request.

If I can be of further assistance, please call me at 759-4595.

ATTACHMENT III
Page 3 of 3


SITE PLAN
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FEET
SCALE
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LANDSCAPE MAINTENANCE & CORPORATION YARD
CHILD CARE CENTER
GREENHOUSE SOUTH RESIDENT BUILDING
EAST CLARENDON RESIDENT BUILDING
WEST CLARENDON RESIDENT BUILDING
EXISTING HOSPITAL BUILDING
WOODSIDE AVENUE
LAGUNA HONDA BOULEVARD
1
2
3

CITY AND COUNTY OF SAN FRANCISCO
MAYOR'S OFFICE OF PUBLIC FINANCE

MEMORANDUM

TO: ROBIN COURTNEY, BUDGET ANALYST OFFICE

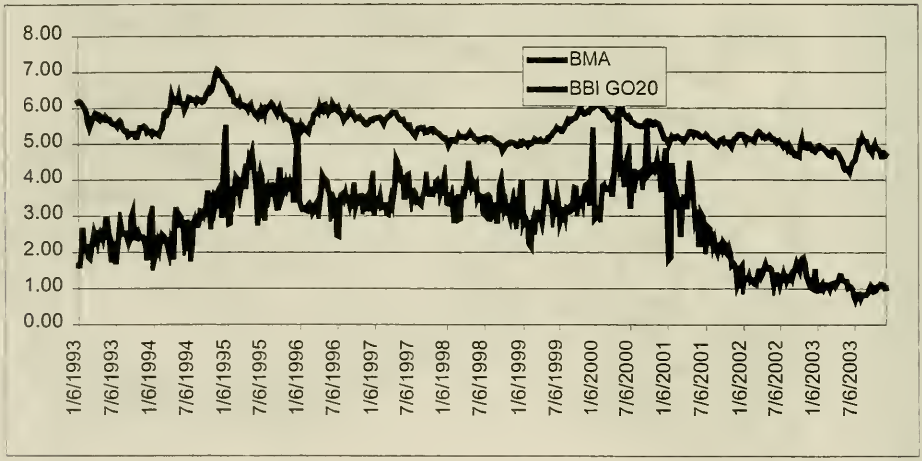
FROM: KAREN RIBBLE, MAYOR'S OFFICE OF PUBLIC FINANCE

RE: VARIABLE RATE VS FIXED RATE INDICES

DATE: JANUARY 6, 2004

A historical comparison of two national indices, one representing tax-exempt interest rates on long term debt (the General Obligation Bond Index or "BBI"[1]) and the other representing rates on weekly VRDB debt (the Bond Market Association SWAP Index or "BMA"[2]), shows that since 1993 weekly rates have averaged 2.92% versus 5.47% for long term general obligation bond rates, and since 1992, BMA has been below four percent 88% of the time. The tax-exempt ARS market is new relative to the VRDBs; however, as of the beginning of December 2003, ARS programs total in excess of $150 billion. The market for tax-exempt VRDBs is even larger at $299 billion, representing most of the investments in tax-exempt money market funds.

The graph below illustrates the BMA and BBI rates since 1993.



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[1] The BBI Index is an index of municipal general obligation bonds maturing in 20 years. The 20-bond index, used here, has an average rating of only Aa3 and AA.

[2] The Bond Market Association is an international trade association of banks and broker-dealers in U.S. securities including municipal securities. The BMA Municipal Swap Index, conceived in 1989, is comprised of a broad list of short-term municipal securities across the nation. At any given time, it represents an average of approximately 250 separate tax-exempt variable rate demand notes (VRDBs) nationwide and is based off of Municipal Market Data's tracking of over 10,000 VRDBs. The BMA re-sets every Thursday.

City and County of San Francisco
Mayor's Office of Public Finance

Memorandum

TO: ROBIN COURTNEY, BUDGET ANALYST OFFICE

FROM: KAREN RIBBLE, MAYOR'S OFFICE OF PUBLIC FINANCE

RE: ONGOING FEES

DATE: JANUARY 8, 2004

Ongoing Costs Associated with Floating Rate Bonds

There are ongoing costs associated with issuing variable rate debt that do not apply to fixed-rate bonds.

For Variable Rate Demand Bonds (VRDBs), these include remarketing agency fees and liquidity facility fees

1) Remarketing Agency Fees. VRDBs have a "put" feature which allows its holder to redeem the bond at specified intervals (weekly in our examples) before maturity and receive full face value. This means that each week, the remarketing agent must find new buyers. As a practical matter, many buyers will hold the bonds for many weeks, but they always have the ability to receive full face value on the reset date. The remarketing agent fee compensates them for this ongoing service.
2) Liquidity Facility Fees. The liquidity facility addresses the remarketing risk inherent in VRDBs. Remarketing risk refers to the risk that the remarketing agents will be unable to find buyers for the Bonds. This could occur as a result of general market crisis or if the City, its bond insurer, and/or liquidity provider experience significant downgrades. If the remarketing agent were unable to find buyers for the Bonds, the bond would not be in default because the liquidity provider would purchase the bonds (paying the owners who redeemed their bonds through their put option).

For Auction Rate Securities (ARSs), the fees include broker-dealer fees and auction agent fess.

1) Broker-Dealer Fees. Similar to VRDBs, the interest rate on ARS resets at regular intervals. The manner in which they are reset is different however. There is no "put" option, rather the holders submit sell orders or rate-specific orders. The broker-dealers also solicit new orders to replace the all the sell orders as well as to find new orders with lower rate requirements which keep the rates the City ultimately pays lower.
2) Auction Agent Fees. Once the broker-dealer has submitted to the auction agent all of the buy at a certain rate, hold at a certain rate or sell at any rate orders, the auction agent determines the lowest rate which clears the market. That rate then applies to all of the holders of the bonds for that interval.

CITY AND COUNTY OF SAN FRANCISCO
MAYOR'S OFFICE OF PUBLIC FINANCE

MEMORANDUM

TO: ROBIN COURTNEY, BUDGET ANALYST OFFICE

FROM: KAREN RIBBLE, MAYOR'S OFFICE OF PUBLIC FINANCE

RE: RISKS

DATE: JANUARY 6, 2004

What are the Risks Associated with Floating Rate Debt?

While short term rates have historically been lower than long term rates, there is no guarantee that short term rates will be lower than either 1) long term rates in the future, or 2) the long term rates the City could lock in today if the Laguna Honda Hospital bonds were issued on a fixed rate basis.

Below is a discussion of risks and mitigations with respect to floating rate bonds in general as well as the risks specific to the two modes being proposed.

Risk -- Interest Rate Exposure • The City sets the property tax rate each August for the following fiscal year. With fixed rate bonds, debt service for the life of the bonds is determined at the time the bonds are sold, so the tax rate can be set using a simple mathematical equation. The interest on the floating rate bonds will reset weekly (or at some other interval) and require the City to make certain assumptions about market conditions for the given year in order to estimate the amount of debt service that will be payable in that year. There is a risk that the actual interest rates during the year would be higher than rates anticipated at the time of the setting of the levy. In response to this risk, the City will need to balance interests of the creditors with the interests of our taxpayers.

Mitigation - Budgeting Methodology

The Mayor's Office of Public Finance has worked with our financial advisors and underwriters in analyzing historic data to provide a conservative yet practical methodology for estimating debt service. While we do not represent that historical rates are a reliable predictor of future rates, they provide a context for evaluating and mitigating interest rate risk. MOPF recommends we budget for debt service at 150% of the immediately preceding 5-year average of the BMA Index.

To illustrate, if the City had issued these bonds in June 2002 and assessed the property tax for fiscal year 2002-03 based on the methodology described above, the property tax rate would have provided for interest rates of 4.80%. Actual rates were 1.26%, providing a budgeting margin of 3.54%. At the end of the year, whatever "balance" is left in the debt service fund will be netted out of the following year's assessment. Continuing with the example above, for fiscal year 2003-04, this methodology would require the City to budget at 4.09%, but only to assess at 0.55% to maintain the budget of the 5-year BMA rolling average.

Mitigation - Interfund Borrowing • An additional mitigation against interest rate exposure is the ability (but not the obligation) of the Controller's Office to utilize short-term interfund borrowing to address a mid-year cash flow shortfall. Were this to be done, the tax levy for the following year would be set in an amount which would provide for the reimbursement of any such borrowing.

Risk -- Interest Rate Volatility • Another consideration with respect to variable rate debt is interest rate volatility. Rates on bonds in a weekly interest rate mode can swing significantly from week to week. There are certain periods each year, such as year-end and tax time, when rates traditionally do spike, but significant rate changes up or down may occur at other times in response to supply/demand imbalances in the market or a variety of other factors.

Mitigation – Flexibility in Modes • A multi-modal bond structure permits the City to change modes (from weekly VRDBs and ARS to monthly, term, or fixed) at any time after providing the required notice. MOPF consults its remarketing agents/underwriters for the Moscone Center bonds regularly regarding market conditions and potential benefits and costs of changing modes to avoid anticipated periods of rate spikes.

Risk – Credit Risk • Credit risk in the floating rate context has to do with the fact that short term debt trades primarily based on the ratings of the bond insurer (and in the case of VRDBs, and the liquidity provider as well). Such debt is therefore subject to risk that the insurer could be downgraded. Were that to occur, the rates at which the Bonds could be remarketed or auctioned would likely increase, reflecting the diminished credit quality of the credit enhancement.

Mitigation –Highest Credit Rating • Through a competitive bid process, we have selected a Triple A-rated bond insurer. As a Double A-rated general obligation bond credit, the City has some comfort that the impact to the trading value of the Bonds in the event of a downgrade to the bond insurer's rating would be less severe than would otherwise be the case. The City could also purchase another bond insurance policy from an insurer who retains a strong credit rating, although that would be an expensive course of action.

Risks with VRDBs

Remarketing Risk • Remarketing risk refers to the risk that the agent(s) responsible for placing the Bonds with investors (Remarketing Agents) on an ongoing basis will be unable to find buyers for the Bonds. This could occur as a result of general market crisis or if the City, bond insurer, and/or liquidity provider experience significant downgrades.

Mitigation – Warehousing • We have significantly mitigated this risk in two ways. First, the City's agreement with the remarketing agents requires that they hold, or "warehouse," the Bonds for up to 30 days if they are unable to place them with investors. This provision in the remarketing agreement was also achieved in the Moscone Center financing and provides remarketing agents with additional incentive to place the Bonds and also protects us from having to draw on our liquidity facility. Secondly, the purpose of the liquidity facility is to ensure that, in the event of a failed remarketing the liquidity bank will be in place to purchase the Bonds and hold them until they can be remarketed.

Liquidity Facility Renewal Risk • Renewal risk relates to the fact that the liquidity facilities or letters of credit generally carry a term shorter than the Bonds. The liquidity facility we are currently seeking to negotiate has a term of five years, which is the longest term offered by most providers. The risk is that at the time the facility must be replaced, there may be no providers willing to offer a facility for the Bonds or the cost of the facility may have increased significantly.

Mitigations – Multi-Modal/Self-liquidity –Renewal risk can be mitigated in two ways: 1) when the initial liquidity facility expires, the City could change modes from VRDBs to ARS or to a fixed rate mode and not require a liquidity facility and 2) the ancillary bond documents allow for the City to utilize its own investment portfolio as a source of "self-liquidity". If it is determined that it would be prudent and cost-effective for the City to pursue that course in the future, the Board of Supervisors could allow for such self-liquidity by taking action to approve the terms and conditions of the City's payment obligations.

Risks with ARS

Risk - Failed Auction • If insufficient bids are received to satisfy all sell orders, then the rate changes to the All Hold Rate as set forth in the Master Trust Agreement. In the few instances in which auctions have failed, it has been due to serious credit concerns about the issuer.

Mitigation – Mode Change • Again, the ability of the City to change modes provides a hedge against this risk. The City would be able to convert to a fixed mode in anticipation of some problem within the ARS market or with its credit.

We believe the risks associated with floating rate debt can be mitigated sufficiently for the City to be comfortable assuming the amount of floating rate exposure to the general obligation bond portfolio represented by the Laguna Honda financing.

City & County of San Francisco
General Obligation Bonds (Laguna Honda Hospital), Series 2003
ESTIMATED COSTS AT CLOSING

Estimated Costs of Issuance		**Estimate**
FINANCIAL ADVISOR FEES		$230,000
CO FINANCIAL ADVISORS		
Public Financial Management	*150,000.00*	
Expenses	*1,000.00*	
Kitahata & Co.	*78,000.00*	
Expenses	*1,000.00*	
BOND COUNSEL FEES		$110,000
CO BOND COUNSELS		
Hawkins, Delafield		
Leslie Lava, Esq		
UNDERWRITER COUNSEL FEES		$60,000
CO UNDERWRITER COUNSELS		
Jones Hall	*27,500.00*	
Lofton Jennings	*27,500.00*	
Expenses	*5,000.00*	
CITY ADMIN. (Public Finance)		416,106.60
Director of Public Finance	126,126.00	
Public Finance Staff	289,980.60	
CONTROLLER'S OFFICE		$15,000
CITY ATTORNEY FEES		$200,000
Mike Martin		
Mark Blake		
Theresa Alvarez		
TREASURER'S OFFICE		$15,000
RATING AGENCY FEES		$112,000
Standard & Poors	$43,500	
Moodys	$43,500	
Fitch	$25,000	
PRINTING		$15,000
Printing of Preliminary Official Statement and Official Statements (POS/OS)		
ADVERTISING		$2,500
TRUSTEE		$4,000
CONTINGENCY		$20,393
TOTAL COST OF ISSUANCE		$1,200,000

ATTACHMENT VIII

City and County of San Francisco, Chartered General Obligation Bond Debt Capacity

Estimates as of December 31, 2003

Property Tax Escalation Factor:	3%

	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	Unissued Authorization
Chartered General Obligation Bond Capacity								
Net Valuation	$98,145,268,023	$ 101,089,626,064	$ 104,122,314,846	$ 107,245,984,291	$ 110,463,363,820	$ 113,777,264,734	$ 117,190,582,676	
3% Cap on Outstanding Obligations	2,944,358,041	3,032,688,782	3,123,669,445	3,217,379,529	3,313,900,915	3,413,317,942	3,515,717,480	
General Obligation Bonds Issued to Date (includes 2003AB Bonds)								
Principal Amount of Bonds Outstanding at each 7/1 [1]	910,865,000	844,345,000	781,910,000	716,980,000	648,930,000	579,865,000	507,510,000	
Principal to be Repaid during Fiscal Year [2]	(66,520,000)	(62,435,000)	(64,930,000)	(68,050,000)	(69,065,000)	(72,355,000)	(72,735,000)	
Actual Utilized Capacity at each 6/30	844,345,000	781,910,000	716,980,000	648,930,000	579,865,000	507,510,000	434,775,000	
Remaining Capacity at each 6/30	2,100,013,041	2,250,778,782	2,406,689,445	2,568,449,529	2,734,035,915	2,905,807,942	3,080,942,480	
General Obligation Bonds Authorized/Expected to be Issued [3]								
Seismic Safety Loan Program (1992 vote) [4]	-	24,355,000	23,670,000	22,940,000	22,160,000	21,330,000	20,450,000	315,000,000
Steinhart Aquarium (1995 vote)	-	28,360,000	27,430,000	26,450,000	25,425,000	24,345,000	23,210,000	29,245,000
Zoo Improvements (1997 vote)	-	7,285,000	7,050,000	6,805,000	6,550,000	6,280,000	5,995,000	7,505,000
Laguna Honda Hospital (1999 vote)	217,500,000	217,500,000	267,410,000	266,615,000	267,275,000	279,405,000	270,455,000	299,000,000
Recreation & Parks (2000 vote)	-	37,720,000	36,805,000	66,080,000	64,180,000	62,180,000	60,075,000	68,800,000
California Academy of Sciences (2000 vote)	-	49,220,000	84,095,000	81,570,000	78,885,000	76,020,000	72,965,000	87,445,000
Branch Library (2000 vote)	-	19,670,000	19,105,000	37,955,000	47,570,000	45,100,000	45,010,000	65,065,000
Net New Bonds Expected to be Outstanding	217,500,000	384,110,000	465,565,000	508,415,000	512,045,000	514,660,000	498,160,000	872,060,000
Utilized Capacity (Issued + Authorized) at each 6/30	1,061,845,000	1,166,020,000	1,182,545,000	1,157,345,000	1,091,910,000	1,022,170,000	932,935,000	
Remaining Expected Capacity at each 6/30	1,882,513,041	1,866,668,782	1,941,124,445	2,060,034,529	2,221,990,915	2,391,147,942	2,582,782,480	

CRITICAL FACTORS:

1) Assumes growth in Net Assessed Value over time is level at Property Tax Escalation Factor shown above. A 1% decrease in the growth rate results in a reduction of $60.4 million in remaining capacity in FY 2005-06.

2) Timing of principal repayment depends on interest rates. An increase in interest rates will result in slower repayment of debt and thus a lower amount of remaining debt capacity.

3) Timing of new debt issuance is estimated. A faster issuance of new debt may result in less remaining debt capacity

4) Assumes $25 million of $315 million in Seismic Safety Bonds is issued in this time period. A greater issuance of Seismic Safety Bonds may result in less remaining debt capacity

Prepared 12/30/2003 17:51

Item 10 - File 03-1698

Department:	Port Commission (Port)
Item:	Resolution approving an Amended Ground Lease between the Port Commission and JMA Waterfront Properties, LLC, a Delaware limited liability company, for the Rincon Park Restaurants Project, located on The Embarcadero between Howard and Folsom Streets, for a total term, including renewal options, of 60 years.
Location:	The Embarcadero, between Howard and Folsom Streets
Purpose of Lease:	Amended Ground Lease for 20,000 square feet of unimproved Port-owned land. The proposed resolution would approve an Amended Ground Lease between the Port and JMA Waterfront Properties, LLC. The proposed Amended Ground Lease would be subject to the provisions of an amended Development Agreement, which (a) amends the existing Development Agreement between the Port and Rincon Park Restaurants, LLC, and (b) assigns the amended Development Agreement to JMA Waterfront Properties for the construction of two separate buildings for the operation of two restaurants and a central outdoor dining and circulation space on the subject property, as discussed below. JMA Waterfront Properties will construct the shell of the two separate restaurant buildings and bear all construction costs, subject to the rent credit provisions described below. The proposed Amended Ground Lease will be subject to the provisions of the amended Development Agreement during the construction period. Under the proposed Amended Ground Lease, JMA Waterfront Properties will sublease the two restaurants to two restaurant operators, which are subject to Port approval but not Board of Supervisors approval. The two restaurant operators are to construct tenant improvements and operate the two restaurants. The amended Development Agreement with JMA Waterfront Properties itself is not subject to Board of Supervisors approval.
Lessor:	Port of San Francisco
Lessee:	JMA Waterfront Properties, LLC

Square footage: 20,000 square feet of unimproved land. JMA Waterfront Properties will construct 12,000 square feet of ground floor restaurant space in two separate buildings, consisting of one restaurant in each building, and 8,000 square feet of outdoor dining space, on the 20,000 square feet of unimproved land.

Term of Amended Ground Lease: 40 years from the completion of construction, with two 10-year options to extend, for a total projected lease term of 60 years. Under the proposed Amended Ground Lease, the two 10-year options to extend the Lease are automatically exercised upon the expiration of the original term unless the lessee, JMA Waterfront Properties, elects not to exercise the option to extend. The Port can terminate the Amended Ground Lease in the event of a default by the lessee.

Description: Charter Section 9.118 requires that the Board of Supervisors approve non-maritime leases of real property or contracts and agreements entered into by a City Department, extending for a period of ten years or more. The Board of Supervisors approved the original Ground Lease between the Port and Rincon Park Restaurants, LLC (Rincon Park Restaurants), in October of 2000 (File 00-1531). The original Ground Lease between Rincon Park Restaurants and the Port was subject to the provisions of the Development Agreement, which provided for the construction of two new buildings for the operation of two restaurants, totaling 12,000 square feet of space plus 8,000 square feet of outdoor dining space, in the Rincon Park between Howard and Folsom Streets on The Embarcadero. The Development Agreement between Rincon Park Restaurants and the Port was expected to be effective from approximately November 15, 2000 through August 15, 2001. However, due to a delay in signing that previous Development Agreement, the Port did not execute the Development Agreement with Rincon Park Restaurants until October of 2001.

Subsequent to the approval of the existing Ground Lease by the Board of Supervisors in October of 2000 and execution of the Development Agreement between the

Port and Rincon Park Restaurants in October of 2001, Rincon Park Restaurants was unable to obtain financing for the development project and was unable to proceed with the construction of the two restaurants. Consequently, Rincon Park Restaurants failed to meet the Schedule of Performance, stipulated by the Development Agreement, and failed to pay Development Agreement fees charged by the Port, each an event of default under the Development Agreement (see Comment 1). As noted on page 3 in Attachment I, provided by Ms. Kari Kilstrom of the Port, the Port notified Rincon Park Restaurants in February and March of 2003 that Rincon Park Restaurants was in default under the terms of the Development Agreement.

According to page 1 of Attachment I, the Development Agreement provides a contractual "Assignment Remedy" for events of default, requiring Rincon Park Restaurants to assign its interest in the Development Agreement to another party acceptable to the Port. The Budget Analyst notes that, under Section 11.03 of the original Development Agreement, the Port has the right to exercise the Assignment Remedy in the event of default, requiring Rincon Park Restaurants to assign the Development Agreement to an assignee, subject to Port Commission approval. On April 26, 2002, the Port notified Rincon Park Restaurants of the Port's intention to exercise the "Assignment Remedy". Section 11.03 of the original Development Agreement states that:

> "Upon the occurrence of an Event of Default by the Developer… the Port may effectuate the Assignment and Assumption Agreement and the quitclaims Deed (the "Assignment Remedy")…When an assignee acceptable to the Port in its sole and absolute discretion has been identified, Port shall (i) notify Developer thereof in writing; (ii) execute the Port Release in favor of Developer; and (iii) cause the full execution and recordation of the Assignment and Assumption Agreement, Quitclaim Deed and Port release in the Official Records of San Francisco. Notwithstanding the foregoing, the Port shall have the sole and absolute right to terminate the Agreement or elect any of the other remedies set forth in this Section 11.03 in the event an assignee

> acceptable to the Port in its sole and absolute discretion has not been identified within six (6) calendar months from the effective date of the Notice of Assignment Remedy, unless further extended in the Port's sole and absolute discretion. "

However, the Budget Analyst notes that this proposed subject resolution, which would approve the proposed Amended Ground Lease and authorizes the assignment, is subject to Board of Supervisors approval.

According to Ms. Kilstrom, Rincon Park Restaurants has assigned the Development Agreement to JMA Waterfront Properties, LLC (JMA Waterfront Properties). Ms. Kilstrom states on page 1 of Attachment I that JMA Waterfront Properties was introduced to the Port as a candidate for assignee by Cohen Financial, a consultant to Rincon Park Restaurants and JMA Waterfront Properties in June of 2002 (see Comment 2).

The proposed resolution would approve the Amended Ground Lease between the Port and JMA Waterfront Properties. As stated by Mr. Kirk Bennett of the Port on pages 1 and 2 of Attachment II, the Port Commission approved the assignment of the Development Agreement to JMA Waterfront Properties and the proposed Amended Ground Lease, even though JMA Waterfront Properties was introduced to the Port by Cohen Financial, who was the consultant to the prior lessee, Rincon Park Restaurants, which defaulted, without going through a Request for Proposal (RFP) process because:

> "First, the Port has a contractual right to assign the Development Agreement resulting in certain positive outcomes for the Port and the City described below (in Attachment II). Second, it would be impractical to re-bid this particular Project at this late stage in the multi-agency planning and development process described below (in Attachment II). Finally, the assignment to JMA Waterfront and the amendments to the Ground Lease will achieve the end-goals of a bid process for the Port and the City."

On pages 3 through 5 of Attachment II, Mr. Bennett explains why the Port believes that it is impractical to re-bid the project and that the assignment of the Development Agreement to JMA Waterfront Properties "will achieve the end-goals of a bid process for the Port and the City".

Development Agreement:

The proposed Amended Ground Lease is subject to the provisions of the amended` Development Agreement between the Port and JMA Waterfront Properties. The amended Development Agreement would commence on Board of Supervisors approval of the proposed Amended Ground Lease and is expected to terminate on approximately January 1, 2005, upon the estimated completion date of the construction of the two restaurant buildings and issuance by the Port of a Certificate of Completion.

Under the original Development Agreement between the Port and Rincon Park Restaurants, Rincon Park Restaurants was to have constructed two new buildings to operate two restaurants on the subject site. As noted above, the Board of Supervisors approved the original Ground Lease in October of 2000, but due to delays in signing the original Development Agreement, the original Development Agreement was not effective until October of 2001. The original Development Agreement would have been effective for a period of approximately 22 months, from the approximate effective date of November 15, 2000 until the target completion date of August 15, 2002, upon which time the terms and provisions of the original Ground Lease between the Port and Rincon Park Restaurants would have become effective. Under the original Development Agreement, which as previously noted, was not subject to Board of Supervisors approval, Rincon Park Restaurants was to have paid to the Port $5,000 per month in Development Agreement fees for a total Development Agreement fees of approximately $110,000 (22 months times $5,000) (see Comment 1).

Under the amended Development Agreement between the Port and JMA Waterfront Properties, which, as previously noted, also is not subject to Board of Supervisors approval, JMA Waterfront Properties will construct two separate new buildings for the operation of two restaurants on the subject site at an estimated cost of $5,765,359 at no cost to the Port. The amended Development Agreement would be effective from the date of Board of Supervisors approval of the proposed subject Amended Ground Lease, until the target completion date of approximately January 1, 2005, a period of approximately 13.5 months. Under the amended Development Agreement, JMA Waterfront Properties is required to pay to the Port Development Agreement fees of $5,000 per month, for total Development Agreement fees of approximately $67,500 ($5,000 per month times 13.5 months). In addition, JMA Waterfront Properties is required to pay the Port a non-refundable fee of $50,000 whereby the Port recovers a portion of the unpaid Development Agreement fees under the original Development Agreement with Rincon Park Restaurants. According to the amended Development Agreement between the Port and JMA Waterfront Properties, JMA Waterfront Properties will pay the non-refundable $50,000 fee to the Port upon approval by the Bay Conservation and Development Commission (BCDC) of necessary permits for the proposed construction project. Therefore, the total fees to be paid by JMA Waterfront Properties to the Port under the proposed Development Agreement will be $117,500 ($67,500 plus $50,000).

Under the proposed subject Amended Ground Lease, JMA Waterfront Properties will not operate the two restaurants once construction has been completed, but will sublease the two restaurants to two separate sublessees, subject to Port approval. The subleases are not subject to Board of Supervisors approval. Under the subleases, the two restaurant entities are responsible for (a) constructing all sub-tenant improvements to the restaurant structures and (b) operating the restaurants.

Amended Ground Lease Rent:

Under the original Ground Lease between the Port and Rincon Park Restaurants, upon completion of the development of the two restaurants, Rincon Park Restaurants would have operated the two restaurants and paid to the Port the greater of Minimum Annual Rent of $200,000 or percentage rent equal to 3 percent of gross receipts[1]. Under the proposed subject Amended Ground Lease, JMA Waterfront Properties will sublease the two restaurants and pay the Port a Minimum Annual Rent of $200,000 and participation rent, equal to 10 percent of JMA Waterfront Properties' sublease rents in excess of the "breakpoint" of $616,000 annually for the first 10 years of the Amended Ground Lease. In the 11th year of the Amended Ground Lease, participation rent increases to 15 percent. Attachment III, provided by the Port, provides a table comparing the terms of the original Ground Lease and the proposed Amended Ground Lease. As stated on page 11 of Attachment II, the Port projects that it will receive an estimated $346,306 in average annual rent revenue over the 40 year term of the subject Amended Ground Lease, based on annual gross receipts of $11,000,000 and 3 percent inflation, which is $230,204, or 39.9 percent, less than an estimated $576,510 in average annual rent revenue which the Port could have received over the 40 year term of the original Ground Lease, based on annual gross receipts of $11,000,000 and 3 percent inflation. The details of the fiscal impact of the proposed Amended Ground Lease, compared to the original Ground Lease, are discussed below.

Rent Credits:

Under the original Ground Lease, the lessee would have received rent credits not to exceed $759,000 for the costs incurred by the tenant for investigating and remediating hazardous materials, obtaining engineering reports regarding the geotechnical surface and subsurface conditions, installing pilings for the foundation, and grading elevations and installing utilities hook ups as necessary. Rent credits would have been applied annually against 50 percent of percentage rent, which is in excess of Minimum Annual Rent of $200,000, until the $759,000 in rent credits are exhausted.

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[1] Gross receipts are defined as all receipts from sales and business transacted in the two restaurants, including receipts from catering services, but excluding Sales Tax. For example, based on annual gross receipts of $6,000,000 after Sales Tax, the tenant would owe $200,000 Minimum Annual Rent, which is $20,000 greater than percentage rent of $180,000 ($6,000,000 times three percent equals $180,000,). Based on annual gross receipts of $11,000,000 after Sales Tax, the tenant would owe $330,000 percentage rent, which is $130,000 greater than Minimum Annual Rent of $200,000 ($11,000,000 times three percent equals $330,000).

Under the proposed Amended Ground Lease, the tenant will receive rent credits not to exceed $759,000. Rent credits will be applied against 50 percent of minimum rent and 100 percent of participation rent annually, until the $759,000 in rent credits are exhausted.

Fiscal Impact:

According to Attachment II, under the terms of the original Ground Lease, the Port would have received an estimated $576,510 in average annual rent revenue over the 40 year term of the Ground Lease based on annual gross receipts of $11,000,000 and 3 percent inflation. Under the terms of the proposed Amended Ground Lease the Port will receive an estimated $346,306 in average annual rent revenue over the 40 year term of the Ground Lease based on annual gross receipts of $11,000,000 and 3 percent inflation, which is $230,204, or 39.9 percent less, than the estimated revenue under the original Ground Lease. Attachment II provides the reasons that the Port is recommending the proposed Amended Ground Lease, which could result in an estimated 39.9 percent reduction in average annual rent revenues to the Port, or a reduction of approximately $9,208,160 over the 40-year term of the proposed Amended Ground Lease as compared to the terms of the original Ground Lease.

Comments:

1. As noted above, the Board of Supervisors approved the original Ground Lease between the Port and Rincon Park Restaurants in October of 2000. As noted in Attachment I, although the Board of Supervisors approved the original Ground Lease in October of 2000, due to delays in executing and signing the original Development Agreement, Rincon Park Restaurants did not begin to pay the Development Agreement fees of $5,000 per month until October of 2001. The Budget Analyst notes that the original Development Agreement states that, "the Developer shall pay to the Port a Development Agreement Fee of $5,000 per month in advance on the first day of each month, beginning on the Effective Date through the Close of Escrow". As noted in Attachment I, Rincon Park Restaurants paid the Development Agreement fees for three months from October 19, 2001 through December

31, 2001, for a total payment of $13,167[2]. According to Attachment I, Rincon Park Restaurants has not paid the Development Agreement fees for a period of 22 months, from January of 2002 through October of 2003, totaling $110,000 in unpaid Development Agreement fees. According to Ms. Kilstrom, and as noted in Attachment I, JMA Waterfront Properties is required to pay to the Port a non-refundable fee of $50,000, which is $60,000 or 54.5 percent less than the $110,000 in unpaid Development Agreement fees.

2. As shown in Attachment I, the Port notified Rincon Park Restaurants that Rincon Park Restaurants was in default in February and March of 2002, and that the Port intended to exercise the "Assignment Remedy" discussed above, on April 26, 2002. The Port Commission approved (a) the assignment of the Development Agreement, which is not subject to Board of Supervisors approval, and (b) the proposed subject Amended Ground Lease with JMA Waterfront Properties, and approved amendments to both documents, on June 12, 2003. However, as the Budget Analyst noted previously, this proposed resolution, which would approve the Amended Ground Lease and authorizes the assignment, is subject to Board of Supervisors approval. As noted above, Ms. Kilstrom states that JMA Waterfront Properties was introduced to the Port as a candidate for assignee by Cohen Financial, a consultant to Rincon Park Restaurants and JMA Waterfront Properties. Pages 3 through 5 of Attachment II explain why the Port did not issue a Request for Proposal (RFP) to select a new developer for the subject project, and instead selected a new developer, based on the recommendation of the financial consultant of the Port's prior lessee, Rincon Park Restaurants, which has defaulted.

3. The Budget Analyst notes that, although the Development Agreement between Rincon Park Restaurants and the Port allows for the assignment of the Development Agreement to a new developer in the event of a default, the Port is recommending the proposed

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[2] Rincon Park Restaurants paid pro-rated Development Fees of $3,167, for the period from October 19, 2001 through October 31, 2001.

Amended Ground Lease, which alters the terms of the original Ground Lease and results in estimated reduction in revenues to the Port over the 40-year initial term of the Amended Ground Lease term of approximately $9,208,160 as compared to the terms of the original Ground Lease. The Port states on page 5 of Attachment II that "the initial minimum rent under the amended Ground Lease exceeds the level that would be expected to be realized through a new request for proposals process, and other amended financial terms are consistent with the current market". The Budget Analyst questions how the Port can assert that the initial minimum rent would exceed the level that would be expected to be realized through a new request for proposals process without going through the process.

4. Because the proposed Amended Ground Lease did not result from a competitive bidding process, the Budget Analyst is not able to determine if the proposed Amended Ground Lease represents the best possible return to the Port, and therefore, considers approval of the proposed resolution to be a policy matter for the Board of Supervisors.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

PORT OF SAN FRANCISCO
MEMORANDUM

TO: **Harvey Rose**
Budget Analyst

DATE: December 5, 2003

FROM: **Kari Kilstrom**
Project Manager

SUBJECT: **RINCON PARK RESTAURANTS PROJECT**

Your office is reviewing a proposed Board resolution that would authorize the Port's Executive Director to execute the Amended Ground Lease for the Rincon Park Restaurants project and thereby implement the long-term plans of the City, Port and Redevelopment Agency for this area. The Port Commission approved amendments to the Development Agreement (the "DA") and authorized assignment of the DA and Ground Lease to JMA Waterfront Properties ("JMA") in June 2003 that are not subject to the Board resolution. At your request, however, this memorandum provides: 1) information regarding the assignment provisions of the October 19, 2001DA with Rincon Park Restaurants LLC ("RPR") and, 2) a brief chronology of key events between the Port's approval of the DA with RPR and the authorization to amend and assign the DA to JMA Waterfront Properties.

The Assignment Remedy

The existing DA between the Port and RPR includes remedies available to the Port in the event of default by RPR. One of these remedies requires RPR to assign its interest in the DA and Ground Lease to another party acceptable to the Port. The assignment procedure is not uncommon in the management of long-term real estate leases and, in this case, provides an efficient mechanism for maintaining Project continuity with respect to the overall Site design for the park and restaurant site and related design approvals and entitlements with a financially viable developer capable of completing the Project within or close-to the originally expected timeframe. When RPR was unable to perform on its obligations under the DA and, after various uncured defaults by RPR, the Port exercised its assignment remedy requiring RPR to assign its interest in the DA and Ground Lease to another party acceptable to the Port. In response, JMA Waterfront Properties was introduced to the Port as a candidate for assignment by Cohen Financial, a consultant to both RPR and JMA in June 2002.

Port staff recommendation of JMA Waterfront Properties

Pursuant to the Port's obligations under the DA, the Port received and reviewed information about JMA's qualifications, approach to completing the project, and financial capacity to complete the project. The Port Commission considered the staff's evaluation prior to approving JMA as the assignee for the Project. A summary of the staff evaluation follows.

Development Team. JMA's development team is a combination of experienced in-house development staff and qualified design consultants. The President of JMA, Art Chapman and its Managing Director, Peter Clark, will be the principal investors and guarantors of the real estate project construction, and will actively manage the development and implementation of the Project. Art Chapman, in particular, will work directly with the San Francisco Bay Conservation and Development Commission ("BCDC"), the Rincon Point-South Beach CAC ("CAC") and other interested parties, as needed, to obtain a BCDC permit for the project. Joe Nootbaar will serve as Project Manager, drawing upon his knowledge of the overall project design and site as former Project Manager of the Rincon Park project on behalf of Gap Inc.

Some of the recent projects undertaken by JMA are summarized in Exhibit A, including:

- $18M historic rehabilitation project at 123 Townsend Street;
- $17M renovation and re-lease at 360 Spear Street;
- Ground- up construction of The Village Pub restaurant in Woodside, CA.

Each of these projects included community involvement, an entitlement process and significant financial capacity. The Village Pub restaurant project was successfully developed using the same development approach that is proposed for the Project Site, and the resulting operation has received excellent reviews by industry critics.

Overall, the development team has the capability to complete the Project effectively and has demonstrated an ability to work constructively with the Port.

Design: JMA Waterfront proposes to maintain the approved design for the site layout and buildings, consistent with Schematic Design drawings previously reviewed by the Waterfront Design Advisory Committee and BCDC Design Review Board in 1999/2000; endorsed by the Rincon Point-South Beach CAC in May 2000; and approved by the Port Commission in July 2000. Since Rincon Park has been constructed to reflect the integration of the restaurant Site within the Park as specified in the approved Schematic Design drawings, this approach is critical to the successful implementation of the Project and to complete the Park as planned. To this end, JMA intends to contract with the original design architects, Pfau Architecture and Jim Jennings Architects, to prepare final design and construction documents for the Site. The experience and qualifications of the project architects are well known to the Port through their work on the approved Schematic Design for the restaurant Site. Working closely with the Rincon Park design team, the architects developed a design for the restaurants Site that responded to public, community, BCDC and WDAC comments, and is well integrated with the Park design. The Port has introduced the JMA development team to the Redevelopment Agency staff and CAC, and JMA expects to continue the dialogue with the community during the final design and operational phases of the project.

Financial Capacity. Based upon the Port's review of financial information for JMA and its principal owners, JMA has demonstrated its ability to fund preliminary design and predevelopment costs and to raise the equity and financing capital necessary to fund the development costs. **At this point, JMA has in fact secured both equity and debt financing for the project and is prepared to proceed with its development.**

Financial Viability. JMA has demonstrated that the Project is viable based on projected restaurant revenues that are consistent with comparable restaurants in the City and a reasonable cash flow analysis which accounts for the proposed capital investment for the improvements. JMA has been in active discussions with local restaurant operators during the past several months in preparation for securing operating agreements after the Amended Ground Lease is approved.

Development Agreement Fees. JMA Waterfront will pay the Port a non-refundable fee of $50,000 for unpaid fees under the DA upon approval of the BCDC permit for the Project, and resume payment of DA fees of $5,000 per month upon execution of the DA.

Summary Chronology

The events between the Port's approval of the DA with RPR and the Port's approval of the assignment of the DA to JMA Waterfront Properties and certain amendments to the DA and Ground Lease are briefly summarized below:

July 25, 2000	Port Commission approval of Development Agreement with Rincon Park Restaurants LLC ("RPR") and approval of Schematic Drawings for the Rincon Restaurants Site
October 10, 2000	Board approves form of Ground Lease
October 19, 2001	Port entered into a Development Agreement ("DA") with Rincon Park Restaurants LLC ("RPR") for construction and operation of two restaurants on approximately 20,000 SF (the "Project") within Rincon Park. RPR begins payment of DA fees of $5,000 per month.
February 14, 2002 And March 28, 2002	Port notified RPR of various events of default under the DA, including non-payment of DA fees in January, February and March 2001.
April 26, 2002	Pursuant to its rights in the DA, the Port notified RPR of its

	election to exercise the "Assignment Remedy" with respect to certain events of default.
June 2002	Port is introduced to JMA as a potential assignee. JMA provides Port with information regarding JMA's professional and financial qualifications.
June 12, 2003	Port approves assignment to JMA and amendments to the DA and Ground Lease for the Project.

PORT OF SAN FRANCISCO
MEMORANDUM

TO: **Harvey Rose**
Budget Analyst

DATE: December 23, 2003

FROM: **Kirk Bennett**
Deputy Director Development Projects

SUBJECT: **RINCON PARK RESTAURANTS PROJECT**

In response to your request, this memorandum explains why the Port authorized an assignment of the Development Agreement for the Rincon Park Restaurants Project ("Project") rather than issuing a new request for proposals, and why the Port Commission determined that the amended Ground Lease provides the Port with the best possible financial terms.

Assignment of the Development Agreement

The Port Commission unanimously approved the assignment of the Development Agreement to JMA Waterfront Properties LLC ("JMA Waterfront") and amendments to the Ground Lease for three fundamental reasons. First, the Port has a contractual right to assign the Development Agreement resulting in certain positive outcomes for the Port and the City described below. Second, it would be impractical to re-bid this particular Project at this late stage in the multi-agency planning and development process, resulting in certain negative impacts described below. Finally, the assignment to JMA Waterfront and the amendments to the Ground Lease will achieve the end-goals of a bid process for the Port and the City.

1. Benefits of Port's Exercise of Contractual Right to Assign the Development Agreement

The Development Agreement between the Port and Rincon Park Restaurants, LLC ("RPR") provides a specific, contractual remedy in the event of a default by RPR. This existing contract requires RPR to assign its interest in the Project to another party acceptable to the Port ("Assignment Remedy"). The Port had negotiated this remedy with RPR as a part of the Development Agreement to ensure that, in the event of default by RPR, the Port had immediately available an efficient mechanism to secure a financially viable developer capable of completing the Project close-to the originally expected timeframe, and maintain continuity with respect to the overall design for Rincon Park and Project, including related design approvals and entitlements.

Assignment provisions in a development agreement are used in situations where: a) there is sufficient risk that a default or change in circumstances may occur (e.g. economy or financial position of developer) and/or b) where either party has an interest in recapturing invested resources and preserving valuable work products (i.e. designs), entitlements (i.e. design approvals) and good will, all of which can be maintained by assigning the Project at a late stage in the development process and moving it forward to completion. In this case, the Port participated in a very lengthy, public planning process between 1998 and 2001, during which the design of Rincon Park ("Park") and the Project became finalized. The Port allowed construction of the Park to move forward despite the delays it was experiencing with RPR. In so doing, it became paramount for the Port to preserve the Project design and entitlements in order to implement the Project in a manner that fits within the specific site layout and design elements constructed within the Park surrounding the Project site.

Within 6-months of entering into contract with RPR, the Port notified RPR of various events of default and in April 2002, the Port exercised the Assignment Remedy contained in the Development Agreement. Some of the **positive outcomes of the Assignment Remedy** for the Port and the City of San Francisco are listed below:

a. Proposed Assignee Qualified to Undertake Project

JMA Waterfront has demonstrated experience and the financial capacity to quickly bring the Project to fruition, activating Rincon Park and generating an income stream to the Port. JMA Waterfront's development team is a combination of experienced in-house development staff and qualified design consultants. The President of JMA, Art Chapman and its Managing Director, Peter Clark, will be the principal investors and guarantors of the real estate project construction, and will actively manage the development and implementation of the Project. Some of the recent projects undertaken by JMA include historic rehabilitation projects in the City and renovation projects of $17 million and greater in scope, and the ground-up construction of the Village Pub restaurant in Woodside, CA, a project very successful project similar to the subject Project.

JMA intends to contract with the original design architects to prepare final design and construction documents for the project. The experience and qualifications of the architects are well known to the Port through their work on the Schematic Design for the Project, and their cooperative efforts with the Rincon Park design team, the Rincon Point-South Beach Citizens Advisory Committee and BCDC's Design Review Board on a plan that is highly integrated into Rincon Park.

Based upon the Port's review of financial information for JMA Waterfront and its principal owners, JMA Waterfront has demonstrated its ability to raise the equity and financing capital necessary to complete the project.

b. Utilization of Assignor's Predevelopment Work

The Project and the Park were designed concurrently to complement each other. With the approval of the requested amendment, JMA Waterfront, as the assignee of the Development Agreement from RPR, will be able to proceed with the development utilizing the design drawings and entitlements obtained by RPR. RPR invested approximately $1,542,000 into predevelopment work, most of which JMA – as an assignee - would be able to utilize. Given the current economic climate, the project may not be feasible if a developer had to incur these pre-development costs.

c. Avoid Further Delays in Completing and Activating Rincon Park

The planned Project is the result of over twenty years of planning and public participation efforts on the part of the San Francisco Redevelopment Agency, Planning Department and Port Commission. The concept established for Rincon Park is to create an urban destination park that would be activated by restaurants located within it. This concept is embodied in the City's General Plan, the South Beach-Rincon Point Redevelopment Plan and the Port's Waterfront Land Use Plan. When the Port and the Redevelopment Agency set out to implement the design and construction of the Park and Project in 1998, it was fully anticipated that these two integrated elements would be constructed concurrently. While the Park was completed this year, the vision for its activation will not be accomplished until the Project is completed. Through the assignment of the Development Agreement, construction of the Project is expected to start early next year.

d. Earliest Possible Commencement of Income to Port

The Port is dependent upon the income it generates from its properties to carry out its mission. The Project site currently does not generate any income to the Port. The Port agreed to lease the Park site to the San Francisco Redevelopment Agency under a 65-year lease with an annual rental of just one dollar based upon the expectation that it would be compensated by the income stream that the Port would generate from the Project site. Assignment of the Ground Lease would result in the earliest possible commencement of this income stream, including: (1) fees of $5,000 per month beginning immediately upon execution of the Development Agreement by JMA Waterfront, 2) payment of a non-refundable $50,000 fee during the Development Agreement period, and 3) upon completion of the Project, minimum rent of $200,000 per year and participation rent, subject to rent credit provisions.

e. Payment of Retroactive Fees under Development Agreement

Upon approval of the BCDC permit, JMA Waterfront will also pay $50,000 of delinquent fees due from RPR under the Development Agreement.

2. Impractical to Re-bid the Project

The Assignment Remedy is the Port's first course of action in the event of default under the Development Agreement. Conversely, the action of last resort would be to start the entire development process over from the beginning, by issuing a new request for proposals. The **negative impacts of curtailing the development process and issuing a new request for**

proposals include:

a. Risk of not Receiving a Proposal from a Qualified Developer

There is a significant risk that a new request for proposals would not produce a satisfactory response from a qualified respondent. It is not certain that even JMA Waterfront would respond, due to the added delays, costs and uncertainty involved with a request for proposals. When the original request for proposals was issued in 1998 – during a strong economy for restaurants – only two responses were received. Of the two respondents, RPR was definitely more qualified and its proposal was decidedly more responsive, but RPR was nevertheless unable to make the Project a reality. We are now in a very weak economy for restaurants.

The Port has found it to be impractical to invest time and resources in a development request for proposals process unless it is confident that it will receive bids from at least two qualified respondents. Requests for proposals that the Port has issued without this confidence have all failed. Given the current state of the economy, the Port cannot reasonably anticipate that it would receive responsive bids for the Project from qualified proposers.

b. Risk of Losing Entitlements and Changing the Overall Park/Project Design

A replacement developer obtained through a new request for proposals would not have the benefit of being an assignee of the entitlements, design work and other predevelopment work undertaken by RPR, increasing its development costs and increasing its entitlement risks. Further, the construction of the shape and size of the 20,000 parcel within the Park is designed to the exact specifications of the Project design, as approved by the Waterfront Design Advisory Committee, BCDC Design Review Board and the Port Commission. Abandoning the existing development process at this juncture and restarting it with a new planning process is likely to affect the overall design of the Park and Project, possibly also resulting in further costs for the Port, the Redevelopment Agency, or the City.

c. Substantial Delay in Activating Rincon Park

A new request for proposals would create substantial delays, including first the request for proposals process itself. A lengthy exclusive negotiation and entitlement process would follow the bidding process, even assuming that the request for proposals produces a satisfactory proposal from a qualified respondent would follow this. If not, delays would be even greater. As discussed earlier, the current project entitlements required over 3 years to obtain, including outreach and coordination with the Redevelopment Agency and the Rincon Point-South Beach Citizens Advisory Committee, the Waterfront Design Advisory Committee and BCDC's Design Review Board.

Given the current economic climate and the possible expenditure of more than $1.5 Million on predevelopment work (a cost already expended on this current development process), it is possible that the request would not produce a qualified developer with a responsive proposal for this Project and the vision for completing and activating this unique Park might never be realized.

d. Substantial Delay of Income Stream to Port

A new request for proposals would definitely delay the commencement of any income stream from the Project site, and would potentially jeopardize any income ever being produced by the Project.

e. Increased Port Costs

A very significant consideration is the amount of Port staff time that would be required if a new request for proposals were issued. The Project would essentially begin at "square one" with preparation of a request for proposals. Assuming that the request even produces satisfactory proposals from qualified respondents, a lengthy exclusive negotiation and entitlement process would follow. The Port has four Development Coordinators, and the Port has already invested a major portion of the time of one of these Development Coordinators to the Project over the past 5 years. Other staff resources would also be impacted by a new request for proposals, plus the fees of the attorneys and consultants that would have to be engaged by the Port. There would not only be further significant costs of staff time being devoted to the Project if a new request for proposals is issued, but those limited staff resources would not be available to invest in other potential revenue-generating projects.

In addition, the Port bears the cost of maintaining the existing Project site in the midst of the manicured park improvements surrounding it. As such, the Project is a continued liability for the Port until the Project is implemented.

3. Goals of a Bidding Process are Achieved through the Assignment to JMA Waterfront

Primary goals of a public bid through a request for proposals process is to obtain the most favorable economic terms for the Port, from the most qualified developer. The Port has achieved both goals with the assignment to JMA Waterfront. Through its due diligence investigation of JMA Waterfront's experience and financial capacity, the Port has concluded that JMA Waterfront is well qualified and has the financial resources to assume the obligations of the Development Agreement at this late stage in the development process and complete the Project. Further discussed in the next section, the initial minimum rent under the amended Ground Lease exceed the level that would be expected to be realized through a new request for proposals process, and other amended financial terms are consistent with the current market.

Amended Financial Terms

After negotiating with RPR for three years, the Port Commission gained a clear understanding of the challenges involved in developing the Project, and the obstacle created by the original structure of the lease transaction and the terms of the Ground Lease. The Port

Commission concluded that the Project was not feasible under the originally proposed approach and lease structure, which was predicated upon the Port's tenant being both the Project developer and restaurant operator. A fundamental shift in the transaction approach was necessary to make the Project economically viable, resulting in corresponding amendments to the transaction documents.

The Port Commission determined that the amendments to the Ground Lease represent the best possible financial terms for the reasons indicated below, and the Port Commission unanimously approved the amended Ground Lease.

1. Necessity to Restructure the Lease Transaction

The Port Commission concluded that, in order to make development of the Project feasible, it was necessary to separate the development (including design, financing, and construction) and operation of the Project's site and building shell from the development and operation of the restaurants within the Project. In this typical developer approach, the developer – JMA Waterfront - will fund and manage the construction of the site improvements and the shell of the restaurant buildings, and will enter into subleases with two separate restaurant operators who will separately develop the sub-tenant improvements for each restaurant and operate each restaurant business. In this approach, JMA Waterfront will be responsible for developing, operating and subleasing the Project, as well as providing the Port with an income stream from the Project and satisfying the performance obligations of the Ground Lease.

JMA Waterfront and Port staff negotiated amendments to certain financial terms of the Ground Lease because the original terms reflected a financial structure applicable to an operating restaurant, but which does not work for a development project. In the existing structure, the restaurant developer/operator does not receive a development return, but only achieves a return through the operation of the completed restaurants. The revised structure provides the developer with the opportunity to earn a development profit on the Project based upon the rental revenues that it receives from subleases with Restaurant operators.

The amendments are based upon the appraisal of the Project site prepared by Clifford Associates in July 1998 that established the then rental value for the Project site, which was included in the request for proposals for the Project. The amendments to the Ground Lease maintain the rental value established in this appraisal. The amendments also reflect financial terms consistent with other Port development projects - the most comparable of which is the Piers 1.5-5 Project, recently approved by the Board of Supervisors.

The Port again retained John C. Clifford, M.A.I, of Clifford Associates, to review this amended transaction. In a memorandum to the Port dated September 23, 2003, Mr. Clifford confirmed the necessity to restructure the lease transaction, and he reported his findings that:

> "There has thus been a fundamental shift in the structure of financing restaurant development and operations, and, there is no foreseeable change likely to occur to reverse this trend. Therefore, in my opinion, the original long term single entity

structure of the Rincon Park Ground Lease is now obsolete. The amendments approved by the Port Commission to the structure of the Rincon Park Ground Lease correct this deficiency and facilitate the means to locate available debt financing to support the development of this project. The amendment does so by separating the development (including design, financing, and construction) of the site and building shell from the development and operation of the restaurants within the [Project]. Under subleases to operating restaurant operators (sub-tenants), the developer can better insure performance obligations are satisfied, or and replace under-performing restaurant operations. In this way, the developer and the Port are partly insulated from the risky cyclical pitfalls of such a specialized business operation.

"Further, this real estate development model is prototypical. The funding for the development of the site improvements and the shell construction of the restaurant building shell is separate and can be secured by a qualified entity with a clearly defined recourse for the lender. The funding for the finish of the restaurant improvements and the operation is by another separate entity secured by a qualified business entity with a clearly defined recourse for the lender. This prototype represents the type of project a lender understands where risk is mitigated by detaching the role responsible for the real estate development expertise from the role of the restaurant operator."

2. Reduction of Port Risk

Under both the existing Ground Lease and the requested amendments, the Port will receive a similar guaranteed income stream in the form of minimum rent, although the form and amount of further Port participation differ. The potential amount of the Port's participation is reduced in the revised structure, but these potential participations are speculative. With the requested amendments, the Port's risks are reduced – both initially and throughout the Ground Lease term.

The risk of the Project not being developed was greatly heightened by having the restaurant operator responsible for obtaining financing for the restaurants as well as the site and shell improvements, as evidenced by the RPR's inability to obtain such joint financing. RPR, who was an experienced restaurant operator, proposed to undertake this project with a combined approach, which is typically utilized for single freestanding chain restaurants. RPR's failure has demonstrated the challenge of an independent restaurateur in applying this approach to a development of two unique freestanding restaurants. As observed by Mr. Clifford, there were examples at the time that the RFP was issued of successful restaurant projects being implemented using a single-entity approach, but, as now reported by Mr. Clifford, there has subsequently been a fundamental shift away from this approach. He in fact states his belief "that the single entity transaction structure no longer is a feasible approach whereby essential debt component for construction of the project can be achieved." The initial development risk is thus reduced substantially by adding a developer who obtains financing and develops the site and building shell separate from the individual restaurants.

In addition, having the restaurant operator being responsible for paying rent directly to the Port tightly linked the Port's income stream to the financial success of the restaurant operations, again heightening the Port's on-going financial risk. Having a separate developer who has an investment in the Project and pays rent to the Port helps insulate the Port's income stream from financial problems of the restaurant operations.

This structure is also expected to produce better long-term performance by the restaurant operations, generating much higher gross restaurant sales. Under the existing Ground Lease, the restaurant operator would control occupancy of the premises for the entire term (potentially 50 years). Under the revised lease structure, the developer would control the premises for the entire term, but the length of the subleases of their subtenant restaurant operators would be much shorter. Because the restaurant operators would be responsible for only the costs of the restaurant improvements, the terms of the subleases necessary to amortize these more limited improvements are expected to be only 10-15 years. This enables the Port's Tenant to replace under-performing restaurants.

As observed by Mr. Clifford in his memorandum:

> "In addition to the base minimum rent, the amendment requires rent increases that are not speculative and are not directly tied to the success of failure of a specialized and volatile industry. Few real estate development interests are seeking as a priority payment from speculative components, but rather indexing their income benefits to the durability and stability of the real estate asset only. This is due to the prevailing market perspective that near term and long-term business growth may be moderate at best. The amended lease payment come in two forms, 1) guaranteed minimum with 5-year periodic CPI increases and adjustments to market, and 2) percentage of increases in market rent for the project's real estate component, not its speculative business component."

3. Guaranteed Minimum Rent

The amendments provide for an initial guaranteed minimum rent of $200,000, which slightly exceeds the minimum rent determined in the Appraisal conducted by Clifford and Associates in 1998. In reviewing the amended terms, Mr. Clifford notes that his minimum rent estimate in 1998, during the "buoyant dot.com era", were "in part based upon restaurant sales volume projections of up to $825/SF, or $11.8 million/yr...[which] reflects the upper end of the range of actual volume reported at competing restaurant facilities in 1996-1997." He observes that sales volumes of these restaurant facilities have significantly declined since then, and further observes that, while "sales volumes have declined, construction and operating costs have not." This has put downward pressure on land rent, including the initial ground rent for the Project site, which makes the $200,000 initial minimum rent established in 1998 extremely favorable to the Port today.

In renegotiating the Ground Lease, the Port insisted that the initial minimum rent of $200,000 could not be decreased, although it likely exceeds the current market rental value for the Project site. This above current market rent for the Project site represents its value assuming a recovery in the restaurant economy to what it was in 1998.

4. Increases in Minimum Rent

The asset that would be leased by the Port consists of land for which market rental comparables would be available throughout the term. Consequently, under the requested amendment, the guaranteed minimum rent will be adjusted to market every 10 years commencing at the end of the 20th year of the lease term. The existing Ground Lease provides for adjustment to market every 5 years, commencing at the end of the 25th year.

The minimum rent under the requested amendment would also be adjusted by the cumulative increase in the consumer price index at the end of the 5th, 10th and 15th years, and would be subject to further cumulative cost of living increase every 5 years following adjustments to market. While the existing Ground Lease provides for annual cost of living increases, these increases are capped at 3.5% each year, with increases above this annual cap not being carried forward. The amended lease terms will instead provide for cumulative cost of living increases, so that large annual increases are captured by the Port. Each 5-year cumulative increase will be capped at 20% - representing an average annual increase of 3.71%. Moreover, there will also be a floor established, whereby the minimum rent will be increased by no less than 10%.

Regarding the amended structure for adjusting the minimum rent, Mr. Clifford notes that:

> "The 5-year periodic CPI is typical for long term ground leases and the amended structure better rewards the Port given the potential of annual volatility of the consumer price index, and the establishment of a minimum increase. The requirement that the minimum rent is reset to the then market rent for the site on the 20th and 30th year of the lease, as well as for option periods protects the Port, ensuring that it continues to receive a fair return."

5. Rent Credits

The fair market rental values indicated in the Clifford Associates appraisal reflected ground rents assuming that the Project site constituted a building pad upon which no additional work is required before construction could start on the Project, which is not actually the case. Substantial improvements are in fact required to the Project site to prepare it as a building pad ready for construction. These required building pad costs include geotechnical and structural studies, soil remediation, grading, stubbing of underground utilities, and installation of piles or other extraordinary substructure improvements. Rather than the Port undertaking this work, the Port will instead provide the Tenant with rent credits for these costs in an amount not to exceed $759,000 which is the estimated cost of this building pad work. Similar rent credits are also included in the existing Ground Lease.

Under the original lease terms, the rent credits are projected to be fully amortized within 4-7 years, and under the amended lease terms they are projected to be fully amortized within 6-7 years. Under both the original and amended terms, the Port will receive positive cash flow form the Project during the rent credit period.

6. Participation

Under both the existing Ground Lease and the requested amendments, the Port will receive percentage rent based upon the receipts of the Port's Tenant. Under the existing Ground Lease, this percentage rent of 3% is based upon the gross receipts of the restaurant operator (who is the Port's Tenant), while under the amendments, the Port will receive percentage rent of 10-15% based upon the gross rental revenues that the developer receives from its sublease restaurant operators. Under the existing Ground Lease, the minimum rent paid is deducted from the percentage rent due. Under the requested amendments, percentage rent is calculated after deducting an artificial break-point from JMA Waterfront's gross rental receipts, with the artificial break-point reflecting the anticipated market minimum rent that JMA Waterfront will receive from its subtenants. In effect, the Port will participate in the percentage rent that JMA Waterfront receives from its subtenants.

Mr. Clifford observes that:

> "Under the amended lease, the Port income benefits potentially increase further through participation in upside rent potential. The potential is tied to the developer's success in capturing increased market rent levels for the project it constructs. This is more stable than speculative income from sharing volatile restaurant sales volume proceeds...[While] it is not likely that additional participation rent will initially be realized by the Port...the participation rent provision does protect the Port during the long term commitment so that it can capture percentage income in the event the market does recover strongly."

In addition, as is typical of Port development projects, the requested amendments provide Port participation in the net sales proceeds from all sales of the leasehold. Under the existing Ground Lease, the Port would not participate in any proceeds from a sale of the leasehold.

7. Port Revenue Projections

As indicated in the following table, the projected revenues to the Port are projected to theoretically be less under the amended lease terms than under the existing lease terms at identical levels of gross restaurant receipts. However, the assumption that gross restaurant sales volumes will be equivalent under the two development approaches is very questionable. This equivalency is not valid because it ignores the impact of the two different structures on the gross restaurant receipts that would actually be realized. These projections also all assume a constant 3% annual inflationary increase in all factors, which ignores the historic annual volatility of cost of living changes, and as discussed above, likely overstate the potential minimum rent revenue under the existing Ground Lease.

Initial Gross Restaurant Receipts	$16,000,000	$11,000,000	$8,000,000	$6,666,667
Existing Ground Lease	($1085 psf)	($746 psf)	($542 psf)	($452 psf) (breakpoint for % rent)
Projected Total Port Revenues	$35,523,605	$24,213,415	$17,378,789	$14,411,253
Projected Average Port Revenues (Years 1-42)	$845,800	$576,510	$413,781	**$343,125**
Requested Amendments		(approx. breakpoint for participation rent)		
Projected Total Port Revenues	$19,410,665	$14,544,865	$13,806,217	$13,741,418
Projected Average Port Revenues (Years 1-42)	$462,159	**$346,306**	$328,719	$327,177
Differential	-45%	-40%	-21%	-5%

The Port's revenues under the existing Ground Lease would be directly tied to the operating results of the restaurant operator throughout the entire 40-50 year lease term. The revenue would be less certain than under the amended terms, with more volatility and a greater risk of being interrupted. More important, under the existing lease structure, the restaurant operations are likely to generate lower gross restaurant receipts than under the amended lease structure, potentially producing equivalent or even less participation rent to the Port.

Restaurant operations represent an extremely risky business type, dependent upon a constantly changing, often fickle market demand. Even good restaurant operations can under perform or fail. Rarely can a single, let alone two restaurant operations, constantly outperform or even match competitors over a long period, especially a 50-year term. The structure of the existing Ground Lease allows such under performance. With the existing lease structure, the Port's developer/restaurant tenant could maintain its occupancy throughout the lease term as long as it can make the minimum rental payments. The initial break point for payment of percentage rent is only $6.7 Million of gross restaurant receipts, or $451 per sq. ft. As indicated in the memorandum from Mr. Clifford, similar well located restaurants are now generating sales volumes of $500/SF or less, and the two restaurants in the Project would therefore need to match or exceed these current sales volumes in order to exceed the percentage rent break point. It is unlikely that two restaurants run by a single restaurant operator could consistently outperform its competitors for the entire length of the lease term.

In contrast, under the amended lease structure, the developer is expected to sublease to two different restaurant operators with sublease terms of 10-15 years. The developer will thus be able and motivated to replace under-performing restaurants. The developer's profits are greatly enhanced when its subtenants outperform their competitors, and are thus able to pay increased minimum rent and percentage rent to the developer. When this occurs, the Port participates in 10-15% of these rentals.

It is noteworthy that, while the breakpoint for participation rent under the amended lease will be at a higher gross restaurant sales volume ($11 million per year) than for the percentage rent under the existing lease ($6.7 million), the Port revenues when these respective breakpoints are achieved are similar, as highlighted in the above table. It is also very important to note that, as indicated by Mr. Clifford, the restaurant operator under the existing lease structure would not realize a profit until it also achieves an annual sales volume of $11 million, which demonstrates the infeasibility of the existing lease structure.

In summary, the Port is currently receiving no revenues from the Project site, and would continue to receive no revenues if the Project is not developed. With the fundamental shift that has occurred in the financing of restaurant projects and operations, it is unlikely that the Project can be developed under the terms of the existing Ground Lease. Under the requested amendments, it is likely that the Project will in fact be developed, generating fair market rentals to the Port from a currently non-income producing property.

Mr. Clifford in summarizing his findings in his memorandum states that:

> "The appraiser's finds the [requested] amendments appropriately respond to market changes. The amendments provide a competitive return on the Port's asset, which includes future increases that are not directly associated with the risk of restaurant operating levels."

8. Developer Return

Public-private partnerships provide the Port with the opportunity to attract private funding of projects that provide public benefits, including substantial capital improvements and a sustainable income stream to the Port. However, in order for a private developer to assume the risks inherent in public-private partnerships, the developer must anticipate compensating rewards. In negotiating such transactions, the Port therefore carefully analyzes the potential developer returns from these projects to ensure that they are reasonable.

The Port conducted a series of such analyses of the Project throughout the negotiations regarding the amendments to the Ground Lease. In these analyses, the Port analyzed the projected developer cash flows based upon the original lease terms and upon the amended lease terms – at three levels of gross receipts: $11 Million, $13.5 Million, and $16 Million (the approximate level of gross receipts projected when the original Ground Lease was approved).

These analyses indicate that, under the original lease terms, the development component would produce significantly negative returns (internal rates of return) at all levels of receipts. Only a restaurant operator, dependent only upon the profits from the restaurant itself, might be able to undertake the project. However, as confirmed by Clifford, this model was challenging even in great economic times, it is not now financially feasible - both restaurant operators and their lenders now understand the separate development risk involving a freestanding restaurant project.

These analyses also indicate that, under the amended terms, there is sufficient potential development profit to make the project feasible, but that the developer return may be marginal. At $11 Million of gross restaurant receipts - which Clifford indicates would currently represent sales of exceptional restaurant operations - the developer's internal rate of return would be at the lower end of the typical range for public-private partnership projects. The developer risks an unsatisfactory return if the restaurants do not achieve an $11 Million sales level, but instead only produce typical sales. The developer's upside goal is to realize a much higher return, which would require a speculative sales volume of $16 Million. If the developer - who based on his experience has the capacity to achieve such a sales volume – is successful in doing so, the Port would participate in participation rent and in net sales proceeds.

Fundamental to JMA Waterfront being willing to accept a lower return threshold is the reduced costs and risks that it will have due to the assignment of the Development Agreement, in which they can immediately proceed utilizing the existing entitlements, design and other predevelopment work undertaken by the assignor. It is thus extremely unlikely that the Port could achieve better financial terms from another developer.

Conclusion

In reviewing the requested amendment, John C. Clifford, M.A.I, concluded that:

> "Overall, the Port appears to be in a favorable economic position based on the amended lease terms. The market for leasing sites or improved restaurant buildings similar to the subject is weak. Further, there is no prognosis to suggest the industry health will rebound significantly any time soon. The amended structure of the Development Agreement and Ground Lease facilitates development financing and the means for the developer to locate and maintain successful operations since he assumes the risk of their performance. At the same time the Port is assured of a minimum rent that provides a market return which correlates to relatively high sales volumes not seen for several years. It also realizes periodic rent and other potential increases to protect the Port's long term commitment to this transaction. It is considered very unlikely the Port could locate another tenant at the same minimum rental rate that could also fulfill both development and operating roles. Therefore, the appraiser concludes the approved amendments provide many advantages to the Port, both financially and in terms of implementing the specified goals of its Waterfront Land Use Plan."

H:\Rincon Park Restaurants\Memo to Budget Analyst on Lease Terms.doc

COMPARISON OF BASIC LEASE PARAMETERS RINCON PARK RESTAURANTS PROJECT

	EXISTING LEASE	REQUESTED AMENDMENTS
Tenant	Rincon Park Restaurant, LLC (Nice Ventures, Inc., managing member)	JMA Waterfront Properties, LLC (JMA Properties, Inc., managing member)
Guarantors	Guarantees from entities that provide guarantee to construction lender.	Art Chapman and Peter Clark to guarantee lien-free Completion of Construction under LLDA.
Premises	An approximately 20,000 S.F. Site located between Folsom and Harrison Streets to the east of The Embarcadero	An approximately 20,000 s.f. Site located between Folsom and Harrison Streets to the east of The Embarcadero.
Uses	Two restaurants and outdoor plaza for restaurant dining and public circulation. The footprint of the restaurant building(s) shall not exceed 12,000 S.F.	Two restaurants and outdoor plaza for restaurant dining and public circulation. The footprint of the restaurant building(s) shall not exceed 12,000 S.F.
Term	40 years from completion of construction, with two 5-year options to extend	40 years from completion of construction, with two 10-year options to extend.
Initial Minimum Rent	$200,000 per year, offset against percentage rent	$200,000 per year, not offset against percentage rent
Development Period Rent	$5,000 per month from execution of the LLDA.	$5,000 per month commencing upon execution of lease assignment documents, and continuing until completion of construction.
Rent Credits	Tenant accepts Premises in "as is" condition. Maximum rent credits of $759,000 for site preparation and related construction items individually capped, applied against 50% of percentage rent	Tenant accepts Premises in "as is" condition. Rent credits equaling the lesser of: (1) the actual costs of site improvements to create retail pad (including geotechnical study, Hazardous Material Remediation, soil compaction, installation of piles, removal of abandoned water main, and stubbing utilities to pad), or (2) $759,000. Rent credits to be applied against 50% of Minimum Rent and 100% of percentage rent until fully amortized.
Increase in Minimum Rent	Increased annually to lesser of (1) the percentage cost of living increase, or (2) 3.5% Adjusted to fair market rental on 25th, 30th, 35th anniversary dates of term, and at beginning on each Extended Term.	Cost of living increases at end of 5th, 10th, 15th, 25th, 35th operational years (and if the options to extend are exercised, also at the end of the 45th and 55th operational years). Each such increase shall not less than 10% or more than 20%. At the end of 20th and 30th operational years and at beginning of each extended term, adjustment to fair market ground rental for land

		without building improvements. Any downward adjustment not to exceed 85% of Minimum Rent prior to adjustment.
Participation Rent	3% of gross receipts (less sales taxes and Minimum Rent).	Port Participation Rent equal to 10% for first 10 years and 15% for subsequent years of Tenant's Rental Receipts over an artificial Breakpoint of $616,000 per year. Breakpoint shall be increased if second floor is installed in south restaurant as a part of the Initial Construction. Breakpoint shall be adjusted proportionate to any changes in Minimum Rent throughout the Term. Tenant's Rental Receipts shall include all rent received by Tenant, including minimum rent and percentage rent, but excluding triple net reimbursements. Participation rent calculated and paid quarterly, with annual reconciliations.
Net Sales Proceeds	None	For first sale, Port participation of 25% of net sales proceeds after payment of transaction costs, the return of initial and subsequent development capital costs, and a cumulative 15% cash flow return on equity. For subsequent sales, 15% of net sales proceeds after deducting transaction costs and purchase price of the then seller.
Refinancing Proceeds	None	None
Payment of past LLDA Costs	Not applicable	Tenant shall pay Port $50,000 of past due LLDA fees upon approval of BCDC permit.

Item 11 - File 03-1960

Note: Ms. Naomi Little of the Taxi Commission advises that an Amendment of the Whole will be submitted to the Finance and Audits Committee at its meeting on January 28, 2004. This report reflects the Amendment of the Whole.

Department: Taxi Commission

Item: Ordinance amending Article 16 of the Police Code by adding Sections 1186, 1187, and 1188 to establish administrative penalties and procedures for violations of the full-time driving requirement and for violations of the Taxi Commission's rules and regulations.

Description: Currently, Article 16 of the Police Code includes a list of infractions and the corresponding fine amounts for such infractions for violations committed by Taxicab permit holders of the Taxi Commission's rules and regulations. According to Mr. Farell Suslow of the Police Department, citations for such violations are issued by the Police Department's Taxi Detail. According to Mr. Tom Owen of the City Attorney's Office, an infraction is the lowest category of a criminal offense. Mr. Owen states that citations for infractions are issued by police officers and the violations are prosecuted by the District Attorney.

Currently, there are fine amounts for such infractions which Mr. Owen states can only be imposed by the Courts. However, there are no administrative penalties for violations committed by Taxicab permit holders of the Taxi Commission's rules and regulations. According to Mr. Owen, an administrative penalty is a fine or monetary penalty levied directly by an administrative agency pursuant to authorizing legislation.

The proposed ordinance would amend Article 16 of the Police Code by adding Sections 1186, 1187, and 1188 to authorize the Taxi Commission's Executive Director to impose administrative penalties for violations committed by Taxicab permit holders instead of assessing the existing fine amounts for infractions set by the Courts. Ms. Naomi Little, Executive Director of the Taxi Commission, advises that the proposed administrative penalty amounts have been set at the same level as the existing infraction fine amounts for violations committed by taxicab permit holders of the Taxi Commission's rules and regulations. According to Ms. Little, the existing fine amounts range from a low of $25 to a high of $75 for the first violation.

Currently, Article 16 of the Police Code and Appendix 6 of the Administrative Code allows the Taxi Commission to suspend or revoke a taxicab permit if the taxicab permit holder violates the full-time driving requirement. In accordance with these Codes, taxicab permit holders are required to be "full-time drivers," which is defined as the operation of the taxi at least four hours during any 24-hour period on at least four hours during any 24-hour period on at least 75 percent of the business days during the calendar year. Taxicab permit holders may lease their Taxicab permits, at any rate they choose, to other drivers for the remaining time when the permit holder is not driving his or her taxicab. According to Mr. Owen, the District Attorney may prosecute violations committed by taxicab permit holders of the full-time driving requirement. However, there are no fine amounts assessed for infractions or administrative penalties with respect to violations of the full-time driving requirement committed by taxicab permit holders.

The proposed ordinance would establish an administrative penalty amount for violations of the full-time driving requirement. The penalty amount could not exceed 1.5 times any lease fees charged by the taxicab permit holder to the other drivers who lease their taxicabs.

The proposed new Sections 1186, 1187, and 1188 to Article 16 of the Police Code would also:

- Establish procedures for the imposition of the new administrative penalties, such that the Executive Director notifies the taxicab permit holders in writing of the violation, the amount of the administrative penalty, and the right for the taxicab permit holder to request an administrative review of the Executive Director's determination of the violation.
- Establish administrative review procedures, such that the taxicab permit holder may request an

administrative review of the Taxi Commission's Executive Director's determination of a charged violation within 15 business days of the date of notice of the violation. The hearing officer is to provide a written recommendation to the Executive Director who may adopt, modify, or deny the hearing officer's recommendations. The seven member Taxi Commission could overturn the Executive Director's final decision by a two-thirds vote. According to Mr. Owen, taxicab permit holders charged with criminal violations are afforded due process through the Courts, whereas, taxicab permit holders charged with administrative violations would be afforded due process through an administrative proceeding.

- Authorize the Taxi Commission to collect administrative penalties, and authorize the Tax Collector to impose a lien against any real property that the taxicab permit holder may own, if the administrative penalty is unpaid after 30 days of the notice of the violation. Currently, the Superior Court collects the fines for cited infractions and issues a warrant for arrest for unpaid fines. Mr. Owen notes that by statute, the City must split any criminal fines collected for infractions with the State, but the City would retain all of the revenues generated from the collection of administrative penalties.
- Authorize the Executive Director to assess additional fees pertaining to the violations committed by taxicab permit holders in order to recover the costs incurred in enforcing the administrative penalties, including the costs of the Taxi Commission, the Police Department and the Tax Collector. Ms. Little states that the Taxi Commission, the Police Department, and the Tax Collector would have costs associated with the investigation, citation, and collection of the administrative penalties. Ms. Little states that the amount of such costs have not yet been estimated but that the Taxi Commission will work will the Controller's Office to determine the amount of the costs to be charged by the Taxi Commission to those taxicab permit holders who commit violations.

Comments: 1. According to Ms. Little, the intent of the proposed ordinance is to assess administrative penalties on taxicab permit holders who commit violations of the Taxi Commission's Rules and Regulations, in addition to existing infraction penalties which are assessed for such violations, and to assess a penalty for violations of the full-time driving requirement. Ms. Little advises that the District Attorney, in the past, has not fully prosecuted taxicab permit holders who commit such violations. Ms. Little advises that in FY 2002-2003, the Police Department's Taxi Detail issued 34 citations, totaling $2,525 in fines. As of the writing of this report, Ms. Little does not know how much of the $2,525 of fines were paid.

2. According to Ms. Little, and as described in Attachment I, "The Taxi Commission wants the ability to pursue administrative penalties rather than prosecutions for infractions. As a result, the Commission does not have to rely on the District Attorney's decision whether or not to pursue charges. Administrative penalties would not invoke the full range of criminal justice procedures. Furthermore, it would not stigmatize permitholders with criminal prosecutions. Finally, administrative penalties create a faster resolution of disputes." As previously noted, such penalties would be assessed by the Director of the Taxi Commission instead of assessing the existing fine amounts for infractions set by the Courts.

3. According to Ms. Little, the existing authority of the Taxi Commission to suspend or revoke the permits issued to taxicab holders for violations of the full-time driving requirement is too stringent because such citations impact the taxicab permit holders livelihood. As described in Attachment I to this report, provided by Ms. Little, "when the Commission believes suspension or revocation is harsh, but needs to discipline the taxicab permit holder, the Commission should be able to impose administrative penalties."

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

City and County of San Francisco

Taxi Commission
Mayor Willie L. Brown, Jr.

Naomi M. Little
Executive Director

MEMORANDUM

TO: HARVEY ROSE
BUDGET ANALYST

FROM: NAOMI LITTLE

DATE: JANUARY 14, 2004

SUBJECT: TAXI COMMISSION ADMINISTRATIVE PENALTIES

There are currently 7,500 taxicab drivers, 1,381 taxicab permits, 30 color schemes and 10 dispatch companies. Taxicab permitholders[1] are required to keep their taxicabs in continual operation. A three-layer system exists in San Francisco. When a permitholder is not driving, the permitholder leases his or her medallion to non-medallion drivers through color scheme holders.[2] The permitholder is paid a lease fee by the color scheme, and in turn, the color scheme charges the taxicab driver[3] a gate fee for the use of the vehicle for the day. All meter fare income goes directly to the driver.

The Taxi Commission ("Commission") has pending 105 full-time driving requirement investigations. Additionally, the Commission is performing comprehensive audits of the color schemes and dispatches.

Existing Rules and Regulations, Citation, Enforcement and Fine Collection

Section 1187. Commission Rules and Regulations; Violations; Administrative Penalties.

Currently, under Municipal Police Code § 1185, violations of Article 16 of the Municipal Police Code, which includes Taxi Commission rules and regulations, are chargeable by the District Attorney as an infraction. The Police Department's Taxi Detail issues these citations. In Board of Supervisor Ordinance 106-99, the Board amended the Police Code to make violations of the Taxi Commission's Rules and Regulations an infraction by establishing fines, and outlining the degree of fines levied for violations of the Taxi Commission Rules.

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[1] "Permit holders" are also referred as "medallion holders." A medallion holder is any permittee licensed by the City to own and operate a taxicab.

[2] "Color scheme holders" are permittees licensed by the City to operate a taxicab color scheme. The phrase "Color Scheme Holder," "Taxicab Company" and "Taxi Company" may be used interchangeably.

[3] "Taxicab Drivers" are non-medallion holders. A taxicab driver is a permittee licensed by the City to drive on behalf of the medallion holder.

Existing Rules and Under Municipal Police Code § 1090, the Taxi Commission only has the power to suspend or revoke a permit for good cause after a noticed hearing. Good cause includes violating the full-time driving requirement, failure to pay a permit fee, operating without insurance, being convicted of a crime involving moral turpitude, failure to satisfy a judgment for damages arising out of negligent operation, violation of the Municipal Traffic Code or California Vehicle Code, and any other applicable statute, ordinance, rule or regulation pertaining to the licensing of taxi permits.

Currently, for minor violations of the Commission rules, the Commission requires a driver to attend taxi school or the SFPD Taxi Detail gives a verbal or written admonishment.

Role of the SFPD Taxi Detail:

The Police Department oversees criminal enforcement the Taxi Commission Rules and Regulations and the Full-Time Driving Requirements. This includes street enforcement, local or state law violation complaints, and lost property recovery. Street enforcement entails monitoring taxicabs on the street to determine whether the driver is carrying his or her A-card (i.e. driver's permit card), identification badge and to ensure the taxicab is in compliance with the California Vehicle Code, the Municipal Police Code and the Taxicab Commission's Rules and Regulations. The Taxi Detail additionally performs Proposition K, Color Scheme and Dispatch Audits for the Taxi Commission.

For fiscal year 2002-03 the SFPD Taxi Detail issued 34 citations containing a total of 42 violations as follows:

23 violations for $25 = $ 575.00
16 violations for 75 = 1,200.00
3 violations for 250 = 750.00

Total = $2,525.00

This process was not fully operational throughout the entire fiscal year. The Taxi Detail wanted to issue more infraction citations than they were allowed because the Superior Court had not approved all of the infraction penalties for the Taxi Commission Rules & Regulations. Even though the Board of Supervisors and Taxi Commission approved the infraction penalties, the infraction penalties are subject to Superior Court approval.

Also, infraction citations are not forwarded to the DA's office. They are submitted directly to the Superior Courts. They are handled the same as traffic tickets. Cases that would be cited as misdemeanors do go to the DA's office.

Problems with Existing Citation, Enforcement and Fine Collection Procedures

In performing audits each year, the Taxi Commission is finding that color schemes are continuing to violate certain Taxi Commission Rules. Suspension or revocation of a color scheme permit (i.e. taxicab company) is extremely drastic because it not only affects the color scheme, but the numerous drivers and taxicab permit holders that are affiliated with the color scheme. Suspension of a color scheme essentially suspends the taxicab permit holders' permits at that color scheme, regardless if the taxicab permit holders violated any rules. The Taxi Commission needs a vehicle to discipline color scheme permit holders without affecting the medallion holders or drivers.

As explained, currently, for minor violations of the Commission rules, the Commission requires a driver to attend taxi school or the SFPD Taxi Detail gives a verbal or written admonishment. These penalties do not serve as deterrence. It is just the cost of doing business.

Administrative penalties create a process of escalated discipline that begins with fines and leads all the way up to revocation. By way of history, most permitholders believe that the San Francisco Board of Appeals will overturn Taxi Commission revocation of permit decisions for failure to comply with the full-time driving requirement. The Board of Appeals has criticized the Taxi Commission for immediately suspending or revoking a permit for failure to comply with the full-time driving requirement after the first offense. They believe this measure is extreme. More likely than not, the Board of Appeals will start upholding the Taxi Commission revocation decisions, if the Commission penalized the permitholder on an progressive scale: i.e. an administrative fine for the first offense; suspension for the second offense; and revocation for the third offense.

Additionally, suspending or revoking a permit because a permitholder fell short of the fulltime-driving requirement by a few shifts; or violated the Commission rule of possessing and issuing comment cards is a drastic measure. When the Commission believes suspension or revocation is harsh, but needs to discipline the permitholder, the Commission should be able to impose administrative penalties.

Proposed New Administrative Penalties

The Commission believes administrative penalties will encourage all permitholders to comply with Commission rules. Permitholders will take their chances that if they appeal the Commission's revocation decision to the Board of Appeals, the Board will overturn the Taxi Commission's decision.

Fines for violating the full-time driving requirement will not exceed 1.5 times any lease fee collected by the permitholder during the period that he or she did not meet the full-time driving requirement. For example, if the permitholder lease fee is $1,800[4], then the fine could be up to $2,700. In imposing the fine, the Executive Director can take into account whether the permitholder had previous violations, whether there was willful concealment and/or misrepresentations to the Taxi Commission, or mitigating circumstances. I guarantee, no permitholder wants to pay a fine of $2,700.

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[4] In December 1998, Police Code 1135.2 set a lease fee cap of $1,800/month. However, in December 2000, the provision expired. Currently, the lease fee is set by market demands.

In imposing administrative penalties, which the proposed ordinance would establish, the Commission would like to use the same infraction fine schedule. The Taxi Commission wants the ability to pursue administrative penalties rather than prosecutions for infractions. As a result, the Commission does not have to rely on the District Attorney's decision whether or not to pursue charges. Administrative penalties would not invoke the full range of criminal justice procedures (with their attendant costs and burdening the courts). Furthermore, it would not stigmatize permitholders with criminal prosecutions. Finally, administrative penalties create a faster resolution of disputes.

Taxi Commission Hearing Procedures

Beginning in July 2003, the Taxi Commission established a hearing officer to hear all disciplinary cases that were brought before the Taxi Commission. To protect the rights of all the taxi permitholders, the Hearing Officer is not an employee of the Taxi Commission, but a Department of Parking and Traffic Hearing Officer. These disciplinary hearings are heard on the first Friday of every month. The Hearing Officer conducts the hearing, and makes a recommended decision. The Executive Director of the Taxi Commission, who can adopt, modify, or deny such recommendation and prepare a final decision on the matter, automatically reviews the proposed decision. The Executive Director places the final decision on the Taxi Commission's consent calendar for the next scheduled meeting. The Taxi Commission may only modify or overturn the Executive Director's decision by a two-thirds' vote. The Taxi Commission's decision is appealable to the Board of Appeals.

Any time the Taxi Commission grant, denies, suspends or revokes a permit, the matter may be appealed to the San Francisco Board of Appeals within 15 days of the Taxi Commission decision pursuant to Charter 4.106.

Item 12 - File 03-1827

Department: Airport Commission

Item: Resolution approving Amendment No. 2 to the Boarding Areas 'B' and 'C' of the South Terminal (Terminal No. 1), Principal Retail Concession Lease between Pacific Gateway Concessions, LLC. (Pacific) and the City and County of San Francisco, acting by and through the Airport Commission.

Purpose of Lease Amendment: To amend the rent structure and certain space conditions based on the terms set forth in the Second Amendment. Pacific Gateway Concessions (Pacific) is a retail concessionaire that sells apparel, newspapers, candy and other retail goods at Boarding Areas 'B' and 'C' of the South Terminal of the Airport.

Lessor: City and County of San Francisco acting by and through the Airport Commission

Lessee: Pacific Gateway Concessions, LLC. is a joint venture consisting of two MBE firms, De La Ve, Inc., and Soto & Sanchez Investments. Pacific was selected by the Airport through a competitive bid based on the highest Minimum Annual Guarantee (MAG). This lease was previously approved by the Board of Supervisors on December 11, 1998 (File No. 98-1790).

Current and Proposed Number of Sq. Ft.: Under the existing lease, Pacific operates seven concessions occupying a total of 6,324 feet. The following table identifies the types of goods sold at each concession, and compares the existing number of square feet by type of retail store with the proposed number of square feet:

Table 1

Concession Space	Type of Retail Store	Goods Sold	Current Square Feet	Proposed Square Feet Under Amendment No. 2	Increase (Decrease)
B1	Specialty	Apparel, Souvenirs, Retail Goods	1,756	2,000	244
B5	Leather Goods	Apparel, Retail Goods	908	0	(908)
B6	Newsstand	News, Retail Goods	438	1,138	700
C2	Specialty	Apparel, Souvenirs, Retail Goods	1,929	1,257	(672)
C3	Specialty	Coffee, Tea, Spice	522	660	138
C4	Newsstand	News, Retail Goods	547	637	90
C5	Candy Cart	Candy, Retail Goods	224	224	0
		Totals	**6,324**	**5,916**	**(408)**

As noted above, under the proposed Amendment No. 2, Pacific will continue to operate six of the seven retail stores. According to Mr. David Pfeiffer of the Airport, the Leather Goods retail store originally located in Space B5 will be combined with the Specialty retail store in Space B1. This proposed Amendment No. 2 would result in an allocation of 5,916 square feet instead of the previously allocated 6,324 square feet, a reduction of 408 total square feet.

Existing and Proposed Terms of Lease:

The existing lease is for a term of five years, which commenced June 18, 1999 and ends on June 17, 2004. The proposed Amendment No. 2, in addition to providing for 408 less square feet, would also authorize the execution of a five-year option provision provided for in Amendment No. 1 (File No. 02-1230), previously approved by the Board of Supervisors. The five-year option term would begin on June 18, 2004 and end on June 17, 2009.

Rent Paid by Pacific Under the Existing Lease:

The existing lease requires Pacific to pay the Airport the greater of a Minimum Annual Guarantee of $2,176,201 or a percentage of gross revenues realized by Pacific in the following tiered structure: 12% for the first $500,000, plus 14% between $500,000 and $1,000,000, plus 16% for all gross revenues in excess of $1,000,000.

Total rent paid by Pacific to the Airport between 1999 and 2003 was $7,620,480 or an annual average of $1,524,096, as follows:

Table 2

Year	MAG	Total Annual Percentage Rent	Total Rent Paid to Airport
1999[1]	$2,176,201	$1,508,981	$1,508,981
2000	2,176,201	2,182,578	2,182,578
2001	[2]	1,781,113	1,781,113
2002	[2]	1,186,757	1,186,757
2003	[2]	961,051*	961,051
Total	**$4,352,402**	**$7,620,480**	**$7,620,480**

* Percentage rent from July 1, 2003 through October 31, 2003.

Rents to be Paid by Pacific Under the Proposed Amendment No. 2:

Under Amendment No. 1, the Airport Concession Support Program, the original MAG of $2,176,201 was suspended in 2002, retroactive to September 11, 2001, and provided for reinstatement either when enplanements reach 85 percent of year 2000 levels or upon the commencement date of a 5-year option term which would begin on June 18, 2004 under the proposed resolution.

According to Mr. Pfeiffer, enplanements have not yet returned to 85 percent of 2000 levels. However, in addition to providing for a reduction of 408 square feet, Amendment No. 2 provides that the reinstated MAG will be increased by $255,000 as explained in Attachment I provided by Mr. Pfeiffer. The increase in the MAG from $2,176,201 to $2,431,201 will become effective exactly 120 days after the date on which the Airport's Design Review Committee approves Pacific's design for Concession Space C2 (see Table 1 above), or when the capital improvements in Concession Space C2 are completed, whichever comes first. According to Mr. Pfeiffer, the Airport Design Review Committee's estimated approval date for Concession Space C2 design is February of 2004. According to Mr. Pfeiffer, there is no final deadline for when the MAG will be increased by $255,000 to $2,431,201, but according to his letter in Attachment III, the original MAG of $2,176,201 would have to be reinstated by June 18, 2004 at the latest to begin their 5 year option. The Budget Analyst notes that the earliest the MAG could be increased by $255,000 to $2,431,201, according to information provided in Attachment III, is approximately 120 days after Board approval, or approximately June 1, 2004. According to Mr. Pfeiffer, the estimated design costs of Concession Space C2 are $35,000, and the capital improvements to Concession Space C2 are estimated to total $360,150. Mr. Pfeiffer advises that 100 percent of all such design costs and capital improvements are required to be paid for by Pacific.

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[1] According to Mr. Pfeiffer, the full MAG of $2,176,201 was not paid in 1999 because the lease began June 18, 1999, and Pacific did not occupy the lease for the full year. Only 69 percent of the MAG, or $1,508,981 was paid in rent to the Airport in 1999 because Pacific occupied the lease for approximately six and a half months of that calendar year.

[2] The MAG was suspended retroactive to September 11, 2001 under the Airport Concession Support Program (CSP), previously approved by the Board of Supervisors in August of 2002 (File No. 02-1230). This MAG suspension is still in effect as of January 2004.

Under the proposed Amendment No. 2, annual rent to be paid by Pacific to the Airport will be the higher of the MAG, (initially $2,176,201 effective June 18, 2004 and then $2,431,201 after improvements are completed as described above), or a percentage of gross revenues realized by Pacific in the following tiered structure: 12% for the first $500,000, plus 14% between $500,000 and $1,000,000, and plus 16% for all gross revenues in excess of $1,000,000. Therefore, the proposed Amendment No. 2 does not change the percentage rent levels from the existing percentage rent. Additionally, the proposed Amendment No. 2 provides that the MAG will be subject to a CPI adjustment increase in 2004.

The reinstatement of the original MAG of $2,176,201, as of June 18, 2004, and eventual increase to $2,431,201 will provide for increased revenues to the Airport over the next 5 years. As noted in Table 2 above, in the first 5 years of the Pacific Lease, from 1999 to 2003, total rent paid to the Airport averaged $1,524,096. Under the proposed Amendment No. 2, the

Memo

To: Budget Analyst

From: David Pfeiffer, Airport

Date: 12/10/03

Re: Pacific Gateway Concession Lease Amendment

Minimum Annual Guarantee

The increase of $255,000 in the Minimum Annual Guarantee of $2,431,201 is Fair Market Value. The increase of the MAG is based upon the approximate 2000 square feet of space that Pacific is acquiring in Concession Space No. B1, which is the space formerly used by TWA as a lounge, but has been closed for approximately one year. This space was originally approximately $127.50 per square foot because of its higher quality space, and this figure was used as the price the tenant, Pacific, would have to pay for this space on top of existing MAG ($127.50 multiplied by 2000 square feet). Therefore, Pacific will pay $255,000 more in Minimum Annual Guarantee, even though the total lease space is actually being reduced by 408 square feet, from 6,324 to 5,916 square feet.

MAG rents to be paid to the Airport will range between $2,176,201 and $2,431,201.

Utilities and Janitorial Service: Provided by Lessee.

Amendment No. 1: The first Amendment to this lease, as previously approved by the Board of Supervisors on August 12, 2002 (File No. 02-1230), provided for a suspension of Pacific's MAG (Airport Concession Support Program), so that Pacific paid only a percentage of gross revenues as described above.

Comment: According to Mr. Pfeiffer, the proposed changes to concession spaces, as noted in Table 1 above, are for the purpose of improving the Airport's Domestic Terminal Food and Beverage Program. Security will also be improved as explained in Attachment II, provided by Mr. Pfeiffer.

Recommendation: Approve the proposed resolution.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

SFO

San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

December 22, 2003

Mr. Harvey Rose
Budget Analyst's Office
City & County of San Francisco
1390 Market Street, Suite 1025
San Francisco, CA 94102

AIRPORT
COMMISSION
CITY AND COUNTY
OF SAN FRANCISCO

WILLIE L. BROWN, JR.
MAYOR

LARRY MAZZOLA
PRESIDENT

MICHAEL S. STRUNSKY
VICE PRESIDENT

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN
AIRPORT DIRECTOR

Subject: Amendment No. 2 to the Boarding Areas 'B' and 'C' of the South Terminal (Terminal 1), Principal Retail Concession Lease between Pacific Gateway Concessions, LLC and the City & County of San Francisco, acting by and through the Airport Commission and how this impacts security at affected checkpoints.

Dear Mr. Rose:

By relocating this tenants locations that are currently along side the security checkpoints at Boarding Areas 'B' and 'C', the Airport is able to install solid glass walls and incorporate into Domestic Terminal Food & Beverage Program currently under development. This removes the need to maintain access corridors along side the checkpoints to allow access to tenant space, while allowing tenant to relocate to a more accessible & visible location that should drive more gross sales and therefore higher revenues to the Airport. The checkpoints will then be more secure as there will no longer be public pre-security access along side their secure area. The old spaces will not need separate entries as they are being incorporated in to common areas of food courts for seating.

Very truly yours,

David W. Pfeiffer
Associate Deputy Director
Revenue Development

San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
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www.flysfo.com

January 21, 2004

Mr. Harvey Rose
Budget Analyst's Office
City & County of San Francisco
1390 Market Street, Suite 1025
San Francisco, CA 94102

Subject: Amendment No. 2 to the Boarding Areas "B" & "C" of the South Terminal (Terminal 1), Principle Retail Concession Lease between Pacific Gateway Concessions, LLC. (PGC) and the City & County of San Francisco, acting by and through the Airport Commission and the reinstatement of Minimum Annual Guarantee (MAG) after Design Review Committee (DRC) approval.

AIRPORT
COMMISSION
CITY AND COUNTY
OF SAN FRANCISCO

WILLIE L. BROWN, JR.
MAYOR

LARRY MAZZOLA
PRESIDENT

MICHAEL S. STRUNSKY
VICE PRESIDENT

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN
AIRPORT DIRECTOR

Dear Mr. Rose:

It is standard practice at the Airport on new leases, that the rent commencement date is set after establishing a 90 day period for tenant construction/remodeling. Upon Board of Supervisors approval of this amendment, the tenant still has to seek DRC approval of design and then submit construction plans to the Airport Building Inspection & Code Enforcement Department (BICE) for review & approval before construction can begin. BICE reviews can run between 30 to 90days. The Airport in an effort to reinstate the MAG sooner, negotiated that the MAG would be reinstated at the new higher amount, 120 days after DRC approval or opening of new locations. PGC is scheduled to submit designs to DRC within 30 days of Board of Supervisors approval of this amendment.

Regardless of DRC approval, the MAG would be reinstated on June 18, 2004 at the latest, when the tenant begins their 5 year option period under the Concession Support Program (CSP).

Very truly yours,

David W. Pfeiffer
Associate Deputy Director
Revenue Development

GOVERNMENT DOC SECTION
Main Library

City and County of San Francisco

Meeting Agenda

Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, February 04, 2004 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk.

0.251
4/04

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

AGENDA CHANGES

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REGULAR AGENDA

1. **031609** **[Authorizing an alternative procedure for establishing property and business improvement districts]**

Supervisor Peskin

Ordinance amending Article 15 of the Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessment; authorizing such districts to be formed for a term of up to 20 years; authorizing such districts to encompass and assess residential property, and repealing Sections 1513 through 1591, and making environmental findings.

9/23/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

12/10/03, CONTINUED. Heard in Committee. Speakers: Gwen Kaplan, Small Business Commission; Harvey Rose, Budget Analyst; David Greenburg, Deputy City Attorney; Linda Mjellem, NOMNIC; David Overdorf; Shawn Collins; Elaine Zamora, NOMNIC; Teresa Garcia, MEDA; Jose Corona, MEDA; Philip Lesser, Mission Merchants Association; Luis Grandos, MEDA; Richard Allman; John Malloy, Lower Polk Neighbors; Ken Cleaveland, BOMA; Jeffrey Leibovitz.
Continued to 1/7/04.

1/7/04, CONTINUED. Speakers: None.
Continued to 1/28/04.

1/26/04, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review.

1/26/04, RESPONSE RECEIVED. Exempt from CEQA. Non-physical exemption CEQA Guidelines, Section 15060 (c)(3) and Section 15378.

1/28/04, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Speakers: None.
1/28/04 Amendment of the Whole bearing new title.
Continued to 2/4/04.

1/28/04, CONTINUED AS AMENDED.

2. **031798** **[Fire Station 33]**

Supervisor Sandoval

Hearing on the Fire Department's provision of emergency medical and fire suppression services to the Fire Station 33 district for the duration of the closure of Fire Station 33 for seismic retrofitting.

10/28/03, RECEIVED AND ASSIGNED to City Services Committee.

11/12/03, TRANSFERRED to Finance and Audits Committee.

12/10/03, CONTINUED. Heard in Committee. Speakers: Male Speaker, SFFD; Giselle Quezada.
Continued to 2/4/04.

3. **030677** **[Requiring Slip Resistant Manhole, Vault, and Sub-sidewalk Basement Covers, Grilles, Grates, or Other Lids on the Public Sidewalk]**

Supervisor Peskin

Ordinance adding Public Works Code Section 790 to require the installation of slip resistant manhole, vaults, and sub-sidewalk basement covers, grilles, grates, or other lids on the public sidewalk, to grant the Director of Public Works authority to enforce requirements, and to provide for administrative and civil penalties for violations.

(Fiscal impact.)

4/22/03, RECEIVED AND ASSIGNED to City Services Committee.

7/23/03, TRANSFERRED to Finance and Audits Committee. The Budget Analyst reports that this item has fiscal impact.

8/13/03, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

11/18/03, SUBSTITUTED. Supervisor Peskin submitted a substitute ordinance bearing new title.

11/18/03, ASSIGNED to Finance and Audits Committee.

12/10/03, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

1/13/04, SUBSTITUTED. Supervisor Peskin submitted a substitute ordinance bearing new title.

1/13/04. ASSIGNED to Finance and Audits Committee.

4. 040020 **[Airport Concession Lease]**

Resolution approving Amendment No. 4 to the Post-Security Master Retail/Duty Free Concession in the New International Terminal Building Lease No. 99-0035 between DFS Group, L.P. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

1/15/04, RECEIVED AND ASSIGNED to Finance and Audits Committee.

5. 031884 **[Expend Federal Funds - Fiscal Year 2003 Lead Hazard Reduction Demonstration Grant Program]**

Mayor

Resolution authorizing the Mayor of the City and County of San Francisco to expend a grant from the U.S. Department of Housing and Urban Development for lead-based paint hazard reduction in a total amount not to exceed $2,600,000, which includes indirect costs of $30,000.

(No Public Benefit Recipient.)

11/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Sponsor requests this item be scheduled for consideration at the December 10, 2003 meeting.

12/10/03, SEVERED FROM COMMITTEE CONSENT AGENDA. Heard in Commitee. Speaker: Joe LaTorre, Mayor's Office of Housing.

Supervisor Peskin requested this item be severed so it could be considered separately.

12/10/03, RECOMMENDED.

12/16/03, RE-REFERRED to Finance and Audits Committee.

6. 031981 **[Reimbursement Resolution]**

Mayor

Resolution declaring the intent of the City and County of San Francisco to reimburse certain expenditures from proceeds of future indebtedness; and approving and ratifying previous actions in connection therewith.

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

7. 031984 **[Appropriate interest earned from the Educational Facilities Bond - 1997, Series - 1999A and Series 2000A to pay for the 75-year ground lease of 106 Bartlett Street]**

Mayor

Ordinance appropriating $4,400,000 of interest earned from the Educational Facilities Bond - 1997 - series 1999A and 2000A used to pay for the seventy - five year ground lease for the City College of San Francisco Mission Campus and related costs for the San Francisco Community College District for fiscal year 2003-04.

(Fiscal impact.)

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

8. 031974 **[Establishing Monthly Contribution Amount]**

Resolution establishing monthly contribution amount to Health Service Trust Fund. (Human Resources Department)

(Fiscal impact; No Public Benefit Recipient.)

12/26/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

9. 032051 **[Reserved Funds, Public Utilities Commission]**

Hearing to consider release of reserved funds, Public Utilities Commission (File No. 001958, Ordinance No. 305-00), in the amount $5 million to fund the construction of odor control remediation projects at the Southeast Water Pollution Control Treatment Plant (SEWPCP). (Public Utilities Commission)

12/30/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Finance and Audits Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language translation at a meeting must be received no later than noon the Friday before the meeting. Contact Ohn Myint at (415) 554-7704.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 *必須在會議前最少四十八小時提出要求*
請電 (415) 554-7701

Disability Access

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

All meetings are real-time captioned and are cablecast open-captioned on SF Cable 26.

The following services are available when requested 48 hours before the Committee meeting. This advance notice will help ensure availability.

- For American Sign Language interpreters or use of a reader during a meeting, contact Ohn Myint at (415) 554-7704.
- For a large print copy of agenda or minutes in alternative formats, contact Annette Lonich at (415) 554-7706.
- Assistive listening devices are available from the receptionist in the Clerk of the Board's Office, Room 244, prior to the meeting.
- The Clerk of the Board's Office TTY number is (415) 554-5227.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

Know Your Rights Under the Sunshine Ordinance

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org

Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

[All Committees]
Government Document Section
Main Library

Clerk: Linda Laws

Wednesday, February 04, 2004 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

·251
04

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PUBLIC LIBRARY

MEETING CONVENED

The meeting convened at 12:43 p.m.

REGULAR AGENDA

031609 **[Authorizing an alternative procedure for establishing property and business improvement districts]**

Supervisor Peskin

Ordinance amending Article 15 of the Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessment; authorizing such districts to be formed for a term of up to 20 years; authorizing such districts to encompass and assess residential property, and repealing Sections 1513 through 1591, and making environmental findings.

9/23/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

12/10/03, CONTINUED. Heard in Committee. Speakers: Gwen Kaplan, Small Business Commission; Harvey Rose, Budget Analyst; David Greenburg, Deputy City Attorney; Linda Mjellem, NOMNIC; David Overdorf; Shawn Collins; Elaine Zamora, NOMNIC; Teresa Garcia, MEDA; Jose Corona, MEDA; Philip Lesser, Mission Merchants Association; Luis Grandos, MEDA; Richard Allman; John Malloy, Lower Polk Neighbors; Ken Cleaveland, BOMA; Jeffrey Leibovitz.
Continued to 1/7/04.

1/7/04, CONTINUED. Speakers: None.
Continued to 1/28/04.

1/26/04, RESPONSE RECEIVED. Exempt from CEQA. Non-physical exemption CEQA Guidelines, Section 15060 (c)(3) and Section 15378.

1/26/04, REFERRED TO DEPARTMENT. Referred to Planning Department for environmental review.

1/28/04, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Speakers: None.
1/28/04 Amendment of the Whole bearing new title.
Continued to 2/4/04.

1/28/04, CONTINUED AS AMENDED.

Heard in Committee. Speakers: Marco LiMandri; Linda Mjellem; David Overdorf; Gwen Kaplan, NEMBA; John Malloy, Lower Polk Neighbors; Jose Corona, MEDA; Female Speaker; Teresa Garcia, MEDA; Luis Granados, MEDA; Elaine Zamora, NOMNIC; Ken Cleaveland, BOMA; David Greenberg, Deputy City Attorney.
2/4/04 Amendment of the Whole bearing new title.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Ordinance amending Article 15 of the Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessment; authorizing such districts to be formed for a term of up to 15 years; authorizing such districts to encompass and assess residential property; authorizing such districts to recover start-up costs through assessments; authorizing the Board of Supervisors to disestablish a district without cause upon a supermajority vote of the Board; requiring a minimum level of representation by business owners on the governing body of the proposed district; requiring that the Clerk of the Board notify business owners in English, Spanish and Cantonese when a petition for district formation is received; making technical corrections to Sections 1534 and 1535, repealing existing Sections 1513 through 1533 and 1540 through 1591, and making environmental findings.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

031798 **[Fire Station 33]**

Supervisor Sandoval

Hearing on the Fire Department's provision of emergency medical and fire suppression services to the Fire Station 33 district for the duration of the closure of Fire Station 33 for seismic retrofitting.

10/28/03, RECEIVED AND ASSIGNED to City Services Committee.

11/12/03, TRANSFERRED to Finance and Audits Committee.

12/10/03, CONTINUED. Heard in Committee. Speakers: Male Speaker, SFFD; Giselle Quezada. Continued to 2/4/04.

Heard in Committee. Speaker: Chief Joanne Hayes-White, SFFD.
Continued to 4/14/04.

CONTINUED by the following vote:

Ayes: 2 - Peskin, Sandoval
Absent: 1 - McGoldrick

030677 **[Requiring Slip Resistant Manhole, Vault, and Sub-sidewalk Basement Covers, Grilles, Grates, or Other Lids on the Public Sidewalk]**

Supervisor Peskin

Ordinance adding Public Works Code Section 790 to require the installation of slip resistant manhole, vaults, and sub-sidewalk basement covers, grilles, grates, or other lids on the public sidewalk, to grant the Director of Public Works authority to enforce requirements, and to provide for administrative and civil penalties for violations.

(Fiscal impact.)

4/22/03, RECEIVED AND ASSIGNED to City Services Committee.

7/23/03, TRANSFERRED to Finance and Audits Committee. The Budget Analyst reports that this item has fiscal impact.

8/13/03, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

11/18/03, SUBSTITUTED. Supervisor Peskin submitted a substitute ordinance bearing new title

11/18/03, ASSIGNED to Finance and Audits Committee.

12/10/03, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

1/13/04, SUBSTITUTED. Supervisor Peskin submitted a substitute ordinance bearing new title.

1/13/04, ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Kevin Jensen, DPW; Peter Ho; Ken Cleaveland, BOMA; Matt Lonner, PG&E; Ted Lakey, Deputy City Attorney; Frank Espinosa, Perma Cote Systems; Harvey Rose, Budget Analyst; Jessica Bay, Eden Villa San Francisco; Mr. Fong; John Kwong, DPW.
2/4/04 Amendment of the Whole bearing same title.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, McGoldrick
Noes: 1 - Sandoval

040020 [Airport Concession Lease]

Resolution approving Amendment No. 4 to the Post-Security Master Retail/Duty Free Concession in the New International Terminal Building Lease No. 99-0035 between DFS Group, L.P. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

1/15/04, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Cathy Widener, Airport Commission; Harvey Rose, Budget Analyst; David Pfeiffer, Airport Commission; Javier Vega, Pacific Gateway Concessions.
2/4/04 At page 1 line 13 add: "FURTHER RESOLVED, That it is the policy of the Board of Supervisors that there shall not be any further amendments to this lease that would reduce rental payments to be made by DFS to the Airport, prior to the Airport first obtaining approval from the Board of Supervisors."

AMENDED.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

031884 **[Expend Federal Funds - Fiscal Year 2003 Lead Hazard Reduction Demonstration Grant Program]**
Mayor

Resolution authorizing the Mayor of the City and County of San Francisco to expend a grant from the U.S. Department of Housing and Urban Development for lead-based paint hazard reduction in a total amount not to exceed $2,600,000, which includes indirect costs of $30,000.

(No Public Benefit Recipient.)

11/18/03, RECEIVED AND ASSIGNED to Finance and Audits Committee. Sponsor requests this item be scheduled for consideration at the December 10, 2003 meeting.

12/10/03, SEVERED FROM COMMITTEE CONSENT AGENDA. Heard in Commitee. Speaker: Joe LaTorre, Mayor's Office of Housing.
Supervisor Peskin requested this item be severed so it could be considered separately.

12/10/03, RECOMMENDED.

12/16/03, RE-REFERRED to Finance and Audits Committee.

Heard in Committee. Speakers: Daryl Higashi, Mayor's Office of Housing; Mr. Fong.

RECOMMENDED by the following vote:
Ayes: 2 - Peskin, McGoldrick
Absent: 1 - Sandoval

031981 **[Reimbursement Resolution]**
Mayor

Resolution declaring the intent of the City and County of San Francisco to reimburse certain expenditures from proceeds of future indebtedness; and approving and ratifying previous actions in connection therewith.

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Nadia Sesay, Mayor's Office of Public Finance.

RECOMMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

031984 **[Appropriate interest earned from the Educational Facilities Bond - 1997, Series - 1999A and Series 2000A to pay for the 75-year ground lease of 106 Bartlett Street]**

Mayor

Ordinance appropriating $4,400,000 of interest earned from the Educational Facilities Bond - 1997 - series 1999A and 2000A used to pay for the seventy - five year ground lease for the City College of San Francisco Mission Campus and related costs for the San Francisco Community College District for fiscal year 2003-04.

(Fiscal impact.)

12/9/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Peter Goldstein, SF Community College District; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031974 **[Establishing Monthly Contribution Amount]**

Resolution establishing monthly contribution amount to Health Service Trust Fund. (Human Resources Department)

(Fiscal impact; No Public Benefit Recipient.)

12/26/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Jeffrey Hildebrant, Health Services System; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

032051 **[Reserved Funds, Public Utilities Commission]**

Hearing to consider release of reserved funds, Public Utilities Commission (File No. 001958, Ordinance No. 305-00), in the amount $5 million to fund the construction of odor control remediation projects at the Southeast Water Pollution Control Treatment Plant (SEWPCP). (Public Utilities Commission)

12/30/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Manfred Wong and Jonathan Loiacono, SFPUC.
Release of reserved funds in the amount of $5,000,000 approved.

APPROVED AND FILED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 4:07 p.m.

Budget Analyst Report]
Susan Hom
Main Library-Govt. Doc. Section

CITY AND COUNTY OF SAN FR

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

251

04

January 29, 2004

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: February 4, 2004 Finance and Audits Committee Meeting

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PUBLIC LIBRARY

Item 1 – 03-1609

Note: This item was continued by the Finance and Audits Committee at its meeting of January 28, 2004.

Item: Ordinance amending Article 15 of the City's Business and Tax Regulations Code by amending Sections 1510 and 1511 to authorize the Board of Supervisors to initiate proceedings to establish property and business improvement districts upon receipt of a petition signed by property owners responsible for 30 percent of the proposed assessments; authorizing such districts to be formed for a term of up to 20 years; authorizing such districts to encompass and assess residential property, and repealing Sections 1513 through 1591 of the City's Business and Tax Regulations Code.

Description: The California Property and Business Improvement Act of 1994 (Section 36600 et seq. of the California Streets and Highway Code) authorizes cities to establish Property and Business Improvement Districts (PBIDs) for the purpose of levying assessments on real property for certain purposes. Further, Proposition 218, approved by the California voters on November 6, 1996, which became part of the California Constitution (Articles XIIIC and XIIID), imposes requirements applicable to assessment districts including Property and Business Improvement Districts.

The purpose of a Property and Business Improvement District is to provide property owners within the District with additional services, including safety and maintenance services, to supplement those existing services provided by their applicable governmental jurisdiction. For example, the Union Square Business Improvement District, located in an approximately ten block area surrounding Union Square, a PBID previously authorized by the Board of Supervisors, provides for increased services from additional assessments, including (a) increased sidewalk sweeping and steam cleaning, (b) improved trash and graffiti removal and a painting crew, (c) increased public safety with one Police Officer and four uniformed Community Services Ambassadors which provide citizen assistance and referral and (d) improved community and information services for visitors.

According to Mr. David Greenburg of the City Attorney's Office, upon receiving a written petition to form a PBID from property owners in the District, a resolution of intention must be approved by the Board of Supervisors in order to initiate proceedings to form a PBID. Under State law, the written petition must be signed by property owners in the proposed PBID responsible for more than 50 percent of the total assessments in the District. Mr. Greenburg reports that the written petition must include a management district plan, containing the following:

- The name of the proposed PBID;
- A map and description of the boundaries of the proposed PBID;
- The annual improvements and activities of operation of the proposed PBID, and the maximum costs;
- The total annual cost for improvements, maintenance, and operations.
- The source of funds including the proposed method and basis of levying the assessment to property owners in the proposed PBID.
- The time and manner of collecting the assessments;
- The number of years in which the assessment will be levied;
- A list of the properties to be assessed;

- A timeline for implementing the management district plan.

Under State law, the formation of a proposed PBID, and the related levy and collection of assessments, is subject to approval by the Board of Supervisors, following a public hearing and balloting in favor of the assessments by property owners in the District responsible for a majority, or more than 50 percent of the total assessment in the District.

Regarding such PBIDs, State law currently provides that:

a) the levy and collection of assessments is for i) a maximum of five years for a new District, and ii) a maximum of ten years for a renewed District;
b) assessments can be made only on commercial property; residential property is not subject to assessment in a PBID; and
c) a written petition must be signed by property owners responsible for more than 50 percent of the total assessments in the District, in order for the Board of Supervisors to initiate proceedings to form a Property and Business Improvement District.

The proposed ordinance would amend Section 1510 and 1511 of the City's Business and Tax Regulations Code to provide the City with alternatives to State law in the formation of PBIDs. Pursuant to Sections 36600 et seq. of the California Streets and Highway Code, the proposed ordinance would allow the City to deviate from such State law in the formation of PBIDs by:

a) levying and collecting assessments for i) a maximum of 20 years for a new District, instead of five years under State law, and ii) a maximum of 20 years for a renewed District, instead of ten years under State law;
b) levying and collecting assessments on residential property as well as commercial property instead of just on commercial property; and
c) initiating proceedings to form a PBID upon receiving a written petition signed by property owners in the proposed PBID responsible for more than 30 percent of

the total assessments in the District instead of more than 50 percent of the total assessments in the District.

According to Mr. Greenburg, pursuant to Section 36603 of the California Streets and Highway Code, any and all of the above amendments to the Business and Tax Regulations Code may be used by the City in lieu of State law in the formation of a PBID. However, in all other respects, the formation and operation of a PBID would continue to be subject to Section 36600 et seq. of the California Streets and Highways Code, according to Mr. Greenburg.

The proposed ordinance would also repeal Sections 1513 through 1591 of Article 15 of the City's Business and Tax Regulations Code to provide for consistency with State procedures. Mr. Greenburg advises that while Article 15 of the City's Business and Tax Regulations Code provides procedures for the City to form Property and Business Improvement Districts, since the passage of Proposition 218 by California voters in November of 1996, Article 15 of the City's Business and Tax Regulations Code has been inconsistent with State law; Article 15 of the City's Business and Tax Regulations Code provides for a majority protest procedure (see Comment No. 1) to establish a PBID, rather than a property owner balloting procedure as provided by State law (see Comment No. 1). The proposed ordinance would delete the majority protest procedure currently in the City's Business and Tax Regulations Code, thereby making the City's Code consistent with State law, authorizing a property owner balloting procedure. According to Mr. Greenburg, the City has historically proceeded under State law in forming PBIDs and that, therefore, approval of this proposed ordinance simply makes the City's Business and Tax Regulations Code consistent with State law.

Comments:

1. According to Mr. Greenburg, under Article 15 of the City's existing Business and Tax Regulations Code, the City cannot impose an assessment against property owners for a PBID without first notifying all affected property owners within the District of the intent to do so. Mr. Greenburg advises that the property owners would then be afforded an opportunity to protest the imposition of an assessment under a PBID. If a majority of the property owners object to the proposed

assessment through written protest, the formation of the assessment district would not proceed; this process is referred to as a majority protest procedure, according to Mr. Greenburg. The proposed ordinance would repeal Sections 1513 through 1591 of the City's Business and Tax Code to delete the majority protest procedure, and instead provide for a property owner balloting procedure, whereby property owners are given the opportunity to cast ballots in favor of, or against, the proposed assessment.

2. As previously noted, Mr. Greenburg advises that the majority protest procedure is inconsistent with Proposition 218, approved by California voters on November 6, 1996. Mr. Greenburg advises that Proposition 218 provides for a property owner balloting procedure whereby property owners are given the opportunity to cast ballots in favor of, or against, the proposed assessment, as previously stated, instead of the majority protest procedure, wherein property owners can protest the imposition of a proposed assessment, as currently provided for under Article 15 of the City's Business and Tax Regulations Code. Under Proposition 218, in order for the assessment to be imposed, a majority of the ballots, weighted on the property owner's share of the proposed assessments, must favor the assessments. According to Mr. Greenburg, the City has historically proceeded under State law to impose assessments against property owners under a PBID.

3. In response to an inquiry of a member of the Finance and Audits Committee to review the available historical cost data of services provided to the Union Square PBID in comparison to comparable areas in the City, Mr. Michael Frank of the Recreation and Park Department and Ms. Tina Olsen of the Department of Public Works reports that such historical data is not available due to a lack of systems capability.

4. In response to a second inquiry of a member of the Finance and Audits Committee concerning specific protection against the inequitable delivery of basic city services as a result of the establishment of a PBID, which could favor PBID's over other areas of the City, Mr. Greenburg reports that he is not aware of any State or local provisions which either a) protects non-PBID areas from decreases in City services, or b) prevents an

unwarranted increase in City services to a PBID area. Mr. Greenburg advises that such protections may be provided through an amendment to this proposed legislation and/or through a resolution which establishes a PBID.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

BOARD OF SUPERVISORS
BUDGET ANALYST

Item 3 – File 03-0677

Note: This item was continued by the Finance and Audits Committee at its meeting of December 10, 2003.

Departments: Department of Public Works (DPW)
Public Utilities Commission (PUC)

Item: Ordinance adding Section 790 to the Public Works Code to require the installation of slip resistant manhole covers, vaults, and sub-sidewalk basement covers, grilles, grates, or other lids, excluding sewer vent and trap covers, on public sidewalks, to grant the Director of Public Works authority to enforce requirements, and to provide for administrative and civil penalties for violations.

Description: Currently, according to Mr. John Malamut of the City Attorney's Office, the City has no requirements regarding the installation of slip resistant manhole, vaults, and sub-sidewalk basement covers, grilles, grates or other lids on public sidewalks (collectively referred to as sidewalk covers). The proposed ordinance would add Section 790 to the Public Works Code to require that every person, firm or corporation, including the City, owning or having control of a sidewalk cover, excluding sewer vent and trap covers, must comply with the DPW slip resistant regulations for sidewalk covers. While slip resistant regulations have not yet been developed by the DPW, the proposed ordinance specifies that such regulations will be (1) based on the U.S. Architectural and Transportation Barriers Compliance Board's slip resistant recommendations or State of California Code of Regulations Title 24, which ever is more restrictive, (2) developed by the Director of Public Works after conducting a public hearing, and (3) specified in a Departmental Order issued by the Director of Public Works.

The proposed ordinance would require the DPW to enforce the DPW slip resistant regulations once they are developed. The proposed ordinance authorizes the Director of the DPW to issue a notice of violation to an owner or person having control of a sidewalk cover, which does not have a slip resistant cover. The entity owning or having control of the sidewalk cover could request the DPW to hold a public hearing within seven days of the receipt of the notice of violation in order to contest the violation. If the entity owning or having control of the sidewalk cover does not request a hearing within that seven day period, the violation would be presumed final and the owner would have 30 days to abate the violation by installing the slip resistant cover. If the entity owning or having control of the sidewalk covers fails to abate the violation, the DPW is authorized to abate the violation in the manner that the Director of DPW determines is expedient and appropriate, and then the violator would be required to reimburse the DPW for the costs incurred by the DPW in installing the slip resistant sidewalk cover.

The proposed ordinance also authorizes the Director of DPW to assess administrative penalties, in his or her discretion but not to exceed $1,000 per day per violation. The proposed ordinance also authorizes the Director of the DPW to bill the entity owning or having control of the sidewalk cover for DPW's reasonable enforcement costs, including attorney's fees. The proposed ordinance also provides for civil penalties, the amount of which would be determined by a court, but not to exceed $500 per day. Therefore, the administrative penalties combined with civil penalties could not exceed $1,500 per day.

The proposed ordinance requires the Director of Public Works to report to the Board of Supervisors, within one-year after the effective date of the proposed ordinance, on the effectiveness of and compliance with DPW's slip resistant regulations.

Comments:

1. According to the Office of the Sponsor, the intent of the proposed ordinance is to protect the public from injuries that may result from slipping on sidewalk covers. Mr. Malamut states that the proposed ordinance would apply to manhole covers owned and controlled by the PUC and private utilities and other sidewalk covers owned or controlled primarily by commercial businesses. Mr. Malamut states that the proposed ordinance would

exclude sidewalk sewer vents or traps[1] which are owned and controlled by property owners, as a result of their indoor plumbing which must conform to the City's Plumbing Code.

2. According to Ms. Barbara Moy of the DPW, the DPW would develop its slip resistant regulation within 30 to 60 days after the approval of the proposed ordinance. Mr. Malamut advises that once these regulations are developed, every person, firm or corporation, including the City, owning or having control of a sidewalk cover would have 30 days, from the date of a determination of a violation by the Director of the DPW, to install or make existing sidewalk covers slip resistant in conformance with the DPW slip resistant regulations.

As of the writing of this report, the DPW could not provide an estimate as to the number of privately owned and controlled manhole covers or other sidewalk covers that are not slip resistant and could not provide a cost estimate for enforcing the proposed ordinance. Ms. Moy of the DPW states that the DPW would likely enforce the proposed ordinance based on complaints reviewed by the DPW.

3. According to Mr. Tom Franza of the Public Utilities Commission (PUC), the PUC maintains up to an estimated 1,000 manhole covers that are on public sidewalks. Mr. Franza advises that none of these manhole covers have slip resistant covers. Mr. Franza states that while the DPW slip resistant regulations have not yet been developed, Mr. Franza believes that the cost effective approach to make manhole covers slip resistant would likely be to coat manhole covers with a slip resistant spray-on material. As shown in the Attachment, provided by Mr. Franza, the estimated initial cost to coat an estimated 1,000 manhole covers on sidewalks is not expected to exceed $100,000 or $100 per cover. Mr. Franza notes that this coating process may need to be repeated every three to five years to ensure that the manhole covers remain slip resistant, therefore resulting

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[1] Sewer vents or traps are required by the City's Plumbing Code to be two feet from the curb on the sidewalk. These vents or traps are typically four inches by four inches with perforated metal covers.

in additional ongoing costs. According to Mr. Franza such ongoing costs cannot be estimated at this time but would depend on the future cost of coating the manhole cover and how often the coating process would need to be repeated. As shown in the Attachment, the cost of coating manhole covers located in streets, which are not included in the proposed ordinance, is $130 or $30 more than the cost of coating manhole covers located on sidewalks.

4. For privately owned sidewalk covers, Mr. Franza advises that the cost of coating the sidewalk covers to make them slip resistant would be approximately $6 per square foot plus a service charge if a private vendor were to perform the work. Mr. Franza cannot estimate the cost of replacing sidewalk covers instead of coating the covers.

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

SLIP RESISTANT MANHOLE COVERS
BY: TJFRANZA 7/31/03

Preliminary estimate to provide public sewers with a non-slip type manhole cover meeting ASTM Standard C1028

Assumptions:

Existing covers do not meet ASTM Standard C1028
Covers are coated at a centralized location to meet ASTM Spec
Coating cost is based on informal vendor conversations
Transportation cost is for roundtrip to and from coating location

	ALL COVERS		PEDESTRIAN AREAS ONLY	
Coating Application	**Street**	**Sidewalk**	**Street**	**Sidewalk**
Approximate number of covers City-wide:	23,800	1,000	1,000	1,000
Coatings, est. cost per cover	$60	$30	60	$30
Total estimated coating cost	$1,428,000	$30,000	$60,000	$30,000
Cover Transportation				
Estimated transportation time per cover, hours:	0.50	0.50	0.50	0.50
Crew cost per hour; burdened (2 persons@$70/hr)	$140	$140	$140	$140
Total estimated labor cost:	$1,666,000	$70,000	$70,000	$70,000
One-Time Cost:	$3,094,000	$100,000	$130,000	$100,000
Cost per Cover:	$130	$100	$130	$100
	Total	$3,194,000	Total	$230,000

Note: No attempt is made here to address maintenance costs over the long term. It is possible that coated covers will have to be redone every 3 to 5 years, so there will be long term O&M costs.

TJF 8/5/03 3:14 PM

Item 4 - File 04-0020

Department:	Airport
Item:	Resolution approving Amendment No. 4 to the Post-Security Master Retail/Duty Free Concession Lease at the Airport's International Terminal Building between DFS Group, L.P. and the City and County of San Francisco, acting by and through its Airport Commission.
Location:	Airport's International Terminal
Lessor:	City and County of San Francisco, acting by and through its Airport Commission
Lessee:	DFS Group L.P., a Delaware limited partnership ("DFS")

Background:

The proposed fourth amendment to the lease agreement between DFS and the Airport is for "post-security" retail space that is located beyond the security checkpoints in the International Terminal. The original lease agreement, which was awarded on the basis of a competitive bid process, and which is a ten-year concession lease, commenced at the opening of the International Terminal in December of 2000 and will expire in December of 2010. This lease agreement currently covers 57,353 square feet in 29 locations.[1] The original lease agreement was approved by the Board of Supervisors on April 5, 1999 (Resolution No. 283-99). Subsequently, Amendments No. 1 and No. 2 were approved by the Board of Supervisors on August 23, 2002 (File No. 02-1230) and Amendment No. 3 was approved by the Board of Supervisors on December 23, 2003 (File No. 03-1526).

The existing lease agreement, as amended, between the Airport and DFS, requires that, effective January 1, 2004, DFS pay rent to the Airport, for the duty-free stores located at the Airport's International Terminal, at the greater of either (a) the duty-free Minimum Annual Guarantee (MAG) of $23,490,000, or (b) a percentage of annual gross revenues as shown on the following Table:

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[1] The original lease covered 55,422 square feet in 57 locations, but was amended in January of 2000 (File No. 99-1869) to cover 57,353 square feet in 29 locations.

Annual Gross Revenues	Percentage of Annual Gross Revenues, January 1, 2004
Up to and including $50,000,00 ($4,166,667 monthly)	20%
$50,000,000.01 - $100,000,000 ($4,166,667 to $8,333,333 mor	25%
Over $100,000,000 (over $8,333,333 monthly)	30%

Proposed Lease Amendment No. 4: Under this proposed resolution, the Airport is requesting Board of Supervisors approval of Amendment No. 4, wherein the MAG for the duty-free stores would be capped, retroactive to January 1, 2004, such that the rent payable by DFS to the Airport could not exceed 40 percent of gross revenues from duty-free sales from January 1, 2004 through December 31, 2004. This cap on the MAG for the duty-free stores would sunset on December 31, 2004. Effective January 1, 2005 through the expiration of this lease on December 1, 2010, the rent schedule would revert to the existing rent schedule, such that, DFS must again pay rent to the Airport which is the greater of either (a) the MAG of $23,490,000 or (b) the percentage of annual gross revenues shown in the Table above.

Comments: 1. The Attachment to this report, provided by Ms. Patty Maitland of the Airport, (a) provides projections of the gross revenues for the duty-free stores from January 1, 2004 through December 31, 2004, (b) shows the projected rent payable to the Airport by DFS for the duty-free stores under the existing lease agreement without the proposed Amendment No. 4, (c) shows the estimated rent payable to the Airport by DFS for the duty-free stores under the proposed Amendment No. 4, which would cap the MAG at 40 percent of gross revenues, and (d) identifies the projected monthly rent reductions that would result under the proposed Amendment No. 4. As shown in the Attachment, based on 40 percent of gross revenues, the proposed Amendment No. 4 would result in estimated rent payable by DFS to the Airport for the duty-free stores in 2004 of $16,274,795, or $7,215,205 less than the $23,490,000 in rent which would be payable by DFS to the Airport if Amendment No. 4 were not approved by the Board of Supervisors.

2. The Budget Analyst notes that Lease Amendment No. 3 to the subject lease retroactively suspended the duty-free MAG from January 1, 2003 through December 31, 2003, which resulted in a rent reduction of $11,397,025 or 48.5 percent less than the $23,490,000 duty-free MAG that would have otherwise been owed to the Airport by DFS in calendar year 2003. That rent reduction, which was approved by the Board of Supervisors on December 23, 2003 (Resolution No. 03-1526) based on the Airport's request, was not submitted to the Board of Supervisors until approximately 11 months after the Airport had already reduced the rent to DFS.

Because this is the second retroactive request pertaining to reduced DFS rent payable to the Airport, the Budget Analyst recommends that the proposed resolution be amended to specifically preclude any further amendments authorizing reduced rental payments to be made by DFS to the Airport, prior to the Airport first obtaining approval from the Board of Supervisors.

Recommendations:

1. In accordance with Comment No. 2 above, amend the proposed resolution to specifically preclude any further amendments authorizing reduced rental payments to be made by DFS to the Airport, prior to the Airport first obtaining approval from the Board of Supervisors.

2. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

Amendment No. 4 - Impact on Rent Due to the Airport from DFS for Duty-free Stores

Month	**Projected Gross Revenues**	**2004 Duty Free MAG**	**Rent Due (40% Of Gross)**	**Rent Projected Rent Reduction**
Jan-04	**$3,249,317**	$1,957,500	$1,299,727	$657,773
Feb-04	**$2,843,444**	$1,957,500	$1,137,378	$820,122
Mar-04	**$3,021,637**	$1,957,500	$1,208,655	$748,845
Apr-04	**$2,236,852**	$1,957,500	$894,741	$1,062,759
May-04	**$2,641,753**	$1,957,500	$1,056,701	$900,799
Jun-04	**$2,914,979**	$1,957,500	$1,165,992	$791,508
Jul-04	*$3,775,953*	$1,957,500	$1,510,381	$447,119
Aug-04	*$4,104,929*	$1,957,500	$1,641,972	$315,528
Sep-04	*$3,899,868*	$1,957,500	$1,559,947	$397,553
Oct-04	*$4,187,696*	$1,957,500	$1,675,078	$282,422
Nov-04	*$3,827,224*	$1,957,500	$1,530,890	$426,611
Dec-04	*$3,983,335*	$1,957,500	$1,593,334	$364,166
Total	**$40,686,987**	**$23,490,000**	**$16,274,795**	**$7,215,205**

*Rent paid in January 2004 will be the MAG of $1,957,500, but payment over 40 percent of gross revenues will be credited from the rent due the following month.

Figures in **bold** are projected gross revenues based on 2003 gross revenues for the same months.
Figures in ***italics*** are projected gross revenues based on actual or unauditted 2003 gross revenues

Source: San Francisco Airport, January 27, 2004

Item 6 - File 03-1981

Department: Sheriff's Department
Department of Public Health (DPH)

Item: Resolution declaring the intent of the City and County of San Francisco to reimburse certain expenditures from proceeds of future indebtedness; and approving and ratifying previous actions in connection therewith.

Source of Funds: Lease financing debt issued by a third party through the State of California's GS$Mart Program

Description: The proposed resolution would authorize the Controller to reimburse the City's General Fund for equipment purchases which will be made between February and May of 2004 by the Sheriff's Department and the Department of Public Health totaling $1,179,401 for the new maximum-security jail facility in San Bruno. The Controller would administratively reimburse the City's General Fund from future lease financing proceeds which the City will secure through the State of California's GS$Mart Program (see Comment No. 2).

Comments: 1. The FY 2003-2004 budget, as finally approved by the Board of Supervisors, included a total of $1,179,401 in equipment purchases for the new jail facility in San Bruno[1]. The source of funds for this appropriation was the General Fund (see Comment No. 2). Attachment I, provided by Ms. Dawn Kamalanathan of the Mayor's Budget Office, contains (a) a list of the equipment to be acquired by the DPH and the Sheriff's Department, (b) the number of units, and (c) the equipment costs, as previously approved by the Board of Supervisors in the FY 2003-2004 budget, totaling $1,179,401.

2. According to Ms. Nadia Sesay of the Mayor's Office of Public Finance, the equipment for the new San Bruno Jail was funded initially by the General Fund in the final FY

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[1] In May of 2000, the Board of Supervisors authorized Certificates of Participation in the amount not to exceed $170,310,000 for the acquisition, construction and installation of a new maximum-security jail facility to replace the existing San Bruno Jail No. 3.

2003-2004 budget. Under the proposed resolution, the Controller would be authorized to reimburse the City's General Fund from the future lease financing proceeds to be received through the State's GS$Mart Program. Attachment II to this report, provided by Ms. Sesay, further describes the GS$Mart lease financing program and provides additional background information. Ms. Sesay states that the GS$Mart Program is a lease purchase financing program managed by the State of California that competitively bids lease financing requests of State and local governments to qualified private lenders. Ms. Sesay states that on approximately May 12, 2004, the City would be provided with the lease financing proceeds through the GS$Mart program.

3. In Attachment II to this report, Ms. Sesay advises the following:

> "The proposed equipment list consists of equipment with different delivery dates. As such, it is cost effective and more streamlined to secure the financing after delivery of all or most of the equipment. The other alternative will require a cost of issuance account since the funds will have be held with a third party escrow agent selected through a competitive process. Also, disbursements will be made by the escrow agent as equipment are received over time, which will involve extensive monitoring by the City due to State Law requirement which requires that the issuing entity have use of equipment before repayment of the debt. Under State Law all equipment will have to be delivered and accepted before the next scheduled payment date."

As noted above, Ms. Sesay anticipates that the lease financing proceeds will be received by the City in May of 2004. The new jail facility is anticipated to begin operations no later than June of 2004, according to Ms. Sesay.

4. According to Ms. Sesay, the actual interest rate to the City to be paid on the proposed equipment lease financing debt cannot be determined precisely at this time because the interest rate will depend on prevailing financial

market interest rates when bids are received by the State's GS$Mart Program. As shown in Attachment III, the City's total estimated costs over the three year life of the lease financing debt would be $1,274,500 including $1,180,000[2] in principal and $94,500 in interest.

5. According to Ms. Kamalanathan, the reimbursement of $1,179,401 from the lease financing debt secured through the GS$Mart Program would be new revenues that will be deposited to the City's General Fund.

Recommendation: Approve the proposed resolution.

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[2] Attachment III rounds the $1,179,401 amount to $1,180,000 for purposes of estimating total debt service requirements.

Suction Machines	2	$1,000	$2,000
Supply/Utility Carts	3	$350	$1,050
Thermometers (Ear)	8	$350	$2,800
Subtotal			**$329,550**
TOTAL DPH FURNITURE & EQUIPMENT:			**$608,650**

Dept	Units	Unit Cost	Total Cost
SHERIFF JAIL HEALTH GSMART EQUIPMENT LIST			
FURNITURE			
Desks	26	$500	$13,000
Tables	224	$300	$67,200
Swivel Chairs	136	$500	$68,000
Norix Chair	1658	$150	$248,700
Swivel Stool	4	$1,200	$4,800
File Cabinet	109	$150	$16,350
Conference Table	9	$3,000	$27,000
Subtotal			**$445,050**
EQUIPMENT			
PCs	53	$1,312	$69,536
NEC 17 Inch LCD	27	$570	$15,390
HP Laserjet 4200TN 35PPM 1200DPI	17	$1,855	$31,535
APC UPS Pro 650VA 120V Line-Int 6OUT	12	$270	$3,240
Attachmate: IRMA 3270 PCI Adapter Coax/UTP DFT 3270 Adapter	12	$500	$6,000
Subtotal			**$125,701**
TOTAL SHF FURNITURE & EQUIPMENT:			**$570,751**
TOTAL SHF AND DPH FURNITURE AND EQUIPMENT:			**$1,179,401**

To: Harvey Rose, Budget Analyst
From: Nadia Sesay, Office of Public Finance
Date: January 7, 2004

Re: Responses to questions regarding File No. 03-1981

1) Please describe the GS$Mart program.
GS$Mart is a lease purchase financing managed by the State of California (the "State") to facilitate State and local government installment and lease purchases. It is similar to a private lease financing. The goal is to make lease purchase financing easier. The participating lenders have been qualified for doing business with the State and the financing plans have been streamlined for easy reading and understanding. It is a competitive bid process. The City will award to the lowest bidder who is compliant with the City's requirement.

2) Please explain why we are using GF monies to be reimbursed by lease financing proceeds rather than just using the lease financing proceeds once they are secured.

The proposed equipment list consists of equipment with different delivery dates. As such, it is cost effective and more streamlined to secure the financing after delivery of all or most of the equipment. The other alternative will require a cost of issuance account since the funds will have be held with a third party escrow agent selected through a competitive process. Also, disbursements will be made by the escrow agent as equipment are received over time, which will involve extensive monitoring by the City due to State Law requirement which requires that the issuing entity have use of equipment before repayment of the debt. Under State Law all equipment will have to be delivered and accepted before the next scheduled payment date.

3) When do you anticipate the lease financing proceeds will reimburse the GF?
The transaction is expected to close May of 2004, which is solely dependent on the opening of the San Bruno Jail. At which point, the GF will be reimbursed with lease finance proceeds.

4) What happens if GS$Mart program does not issue us the debt, what is our fall back plan?
The decision to finance using this program is solely at the discretion of the City. Therefore, the State cannot deny us the use of the program. Another alternative is to pursue a third party financing independently, which has a longer timeline. The City could also pay cash for the equipment.

5) Lastly, what is the $599 for?
The program used to run the numbers rounds to the nearest $5,000. The final numbers will not have the additional proceeds.

Attachment III

BOND DEBT SERVICE

GS$Mart Financing
Jail Equipment

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2004					
08/01/2004	185,000	4.500%	26,550.00	211,550.00	
02/01/2005	190,000	4.500%	22,387.50	212,387.50	423,937.50
08/01/2005	200,000	4.500%	18,112.50	218,112.50	
02/01/2006	195,000	4.500%	13,612.50	208,612.50	426,725.00
08/01/2006	205,000	4.500%	9,225.00	214,225.00	
02/01/2007	205,000	4.500%	4,612.50	209,612.50	423,837.50
	1,180,000		94,500.00	1,274,500.00	1,274,500.00

Source: Office of Public Finance, January 7, 2004

Item 7 – File 03-1984

Department:	Mayor's Office of Public Finance San Francisco Community College District (SFCCD)
Item:	Ordinance appropriating $4,400,000 of interest earned from Series 1999A and Series 2000A General Obligation Bonds for Educational Facilities to pay for the 75-year ground lease for the existing San Francisco Community College District (SFCCD) Mission Campus.
Amount:	$4,400,000
Source of Funds:	(a) $2,512,025 from interest earnings attributable to Series 1999A General Obligation Bonds for Educational Facilities and (b) $1,887,975 from interest earnings attributable to Series 2000A General Obligation Bonds for Educational Facilities.

Description:

On June 3, 1997, a total of $50,000,000 in General Obligation Bonds for the acquisition, construction, and/or reconstruction of San Francisco Community College District (SFCCD) educational facilities was approved by San Francisco voters. On November 10, 1997, the Board of Supervisors authorized the issuance of the $50,000,000 in SFCCD bonds (File 1018-97), and on March 1, 1999, the Board of Supervisors authorized the sale of $20,395,000 in Series 1999A General Obligation Bonds (File 136-99), which were sold on June 29, 1999. On May 1, 2000, the Board of Supervisors authorized the sale of the remaining $29,605,000 ($50,000,000 less $20,395,000) in Series 2000A General Obligation Bonds (File 00-1723), which were sold on June 14, 2000. Bond proceeds from the first series of the SFCCD Educational Facility Bonds (Series 1999A General Obligations Bond) were appropriated by the Board of Supervisors on October 18, 2000 (File 99-1573). Bond proceeds from the second series of the SFCCD Educational Facility Bonds (Series 2000A General Obligation Bond) were appropriated by the Board of Supervisors on November 17, 2000 (File 00-1723).

The proposed ordinance would appropriate $4,400,000 in interest earnings attributable to the $50,000,000 in

General Obligation Bonds to pay for a portion of the 75-year ground lease for property at 106 Bartlett Street, located between 22nd and 23rd Streets, which will continue to be used as the SFCCD Mission Campus. The subject $4,400,000 in interest earnings is comprised of $2,512,025 in interest earned from Series 1999A General Obligation Bonds and $1,887,975 in interest earned from Series 2000A General Obligation Bonds.

According to Mr. Peter Goldstein of the SFCCD, the SFCCD has leased the property at 106 Bartlett Street, which is owned by the San Francisco Unified School District, (SFUSD), to serve as the SFCCD Mission Campus. The lease is for 75 years commencing on October 1, 2003 and expiring on September 30, 2078, according to Mr. Goldstein. Mr. Goldstein reports that the property, which has been used as the SFCCD Mission Campus for more than twenty years under prior lease agreements with the SFUSD, is comprised of a four-story building containing approximately 70,000 square feet, and two vacant asphalt-covered areas, accommodating 40 parking spaces, totaling 28,000 square feet. As stated in the Attachment provided by Mr. Goldstein, the SFCCD Mission Campus currently occupies approximately 35,000 square feet of space out of the 70,000 square foot four-story building. The balance of 35,000 square feet (70,000 less 35,000) is used for the SFUSD's Downtown High School according to Mr. Goldstein. Mr. Goldstein reports that the SFUSD is subleasing 35,000 square feet of space in the building from the SFCCD for the Downtown High School.

Comments:

1. Mr. Goldstein advises that the SFCCD anticipates making capital improvements to the leased property at 106 Bartlett Street, which will include the renovation of the existing four-story building and the construction of two new buildings. The existing 70,000 square foot four-story building and the two new buildings, which will be comprised of one new 105,000 square foot four-story building and one new 17,000 square foot four-story building, will be used as an educational facility to include classrooms, laboratories and administrative facilities according to Mr. Goldstein. Mr. Goldstein reports that the SFCCD plans to begin construction on the Mission

Campus in December of 2004 and estimates that the new facility will be completed by December of 2006. Mr. Goldstein reports that of the total estimated capital improvement cost of $62,000,000, approximately $30,000,000 would be funded from SFCCD 2002 General Obligation Bonds previously approved by the voters in November of 2001, and approximately $32,000,000 would be funded from proceeds from the 2002 State of California Kindergarten - University Public Education Facilities Bonds to be awarded to the SFFCD in the Fall of 2004.

2. According to Mr. Goldstein, the payment for the entire 75-year lease term was disbursed by the SFCCD to the SFUSD, in one lump sum of $7,500,000, on October 8, 2003. The Attachment provides sources of funds for the $7,500,000 payment, which include this subject requested $4,400,000 in interest earning from the Series 1999A and Series 2000A Bond funds.

3. As explained by Mr. Goldstein in the Attachment, funds for the lease cost of $7,500,000 was previously advanced by the SFCCD from Educational Facility Bond monies to pay for the ground lease. Mr. Goldstein reports that the subject requested $4,400,000 in interest earnings from the General Obligation Bonds would reimburse a portion of the $7,500,000 previously advanced by the SFCCD.

4. As previously noted, the term of the 75-year ground lease between the SFCCD and the SFUSD is from October 1, 2003 through September 30, 2078. Mr. Goldstein reports that the ground lease was authorized by the SFCCD Board of Trustees on June 26, 2003 and the SFUSD Board of Education on March 25, 2003. Mr. Goldstein further reports that the 75-year ground lease is not, itself, subject to Board of Supervisors approval.

Recommendation: Approve the proposed ordinance.

Budget Analyst Information Request for Item 03-1984 – Appropriation of Interest Earnings from 1997 Educational Facilities Bond

1. Historical background for the lease of 106 Bartlett Street;

City College has operated its Mission Campus in a leased portion of the building located at 106 Bartlett Street consisting of about 35,000 square feet on four floors, for more than twenty years. During 1997 the College acquired the property located at 2550-2560 Mission Street near 22nd and Mission Streets, known as the "New Mission Theatre site" for $2.035 million for the purpose of developing a permanent home for the Mission Campus using proceeds from the sale of 1997 general obligation bonds. City College determined in 2003 that it was not feasible to build the permanent Mission Campus on the "New Mission Theatre site". Consequently during the spring of 2003 the College negotiated an agreement with the San Francisco Unified School District (SFUSD) for a 75 year ground lease for all of the property the SFUSD owns at 106 Bartlett Street including the existing building consisting of four floors and 70,000 square feet, as well as two undeveloped asphalt-covered areas fronting Valencia Street and 22nd Street, with a total footprint of 56,235 square feet. The College intends to do a complete rehabilitation of the existing building as well as construct two new structures for the new Mission Campus on the site defined by the ground lease.

2. Detailed explanation of the financing arrangement for the leased facility including all anticipated dates of and amounts of payments;

The full cost of the lease totaling $7.5 million was paid in a lumps sum to the SFUSD on October 8, 2003, as required by the SFUSD. The entire payment was disbursed from the proceeds of the SFCCD 1997 2nd Series GO bond funds. The SFUSD required payment during the fall of 2003 thereby necessitating the advancement of $7.5 million in funds by the SFCCD. In essence the College advanced these funds as an internal loan. No additional payments are due.

The College needs to have $4.4 million in earned interest appropriated to repay a portion of the internal loan that was created in the 1997 bond fund to cover the $7.5 million payment to the SFUSD for the ground lease.

Finally, it should also be noted that the College has consistently used its local bond funds to leverage state project funds on a fifty/fifty basis. An extended waiting period for replenishing the internal loan in the College's bond fund could jeopardize opportunities available to the College for leveraging these state matching funds.

Source: San Francisco Community College District

Sources of Payment to the SFUSD for 75-year ground lease for 106 Bartlett

$1,122,567	funds remaining in the 1997 G.O bond in the Land Acquisition Category
$4,400,000	1997 G.O. bonds to be reimbursed by the interest appropriation requested from the Board of Supervisors
$1,977,433*	portion of the proceeds from sale of New Mission Theatre Site
$7,500,000	

* The College's Board of Trustees has authorized the sale of the New Mission Theater site for $4.5 million, of which $1,977,433 would be used to pay for a portion of the $7.5 million ground lease and the remaining $2,522,567 would be returned to the College's 1997 G.O. Bond Fund as such funds can only be used for bond eligible projects. The $4.5 million in funds from the sale of the New Mission Street Theater site will not be available until at least the end of May 2004, and possibly later due to the fact that the existing tenants in the building have filed a law suit against the College to reaffirm and to exercise a first right of refusal. Resolving this lawsuit could push the closing date for the sale of the property back significantly, therefore it is important that the College receive the full $4.4 million earned interest allocation at this time.

Source: San Francisco Community College District

Item 8 – 03-1974

Department:	Health Services System (HSS) Department of Human Resources (DHR)
Item:	Resolution establishing the monthly contribution amount to be made to the Health Service Trust Fund by the City and County of San Francisco, the San Francisco Unified School District, and the San Francisco Community College District for Fiscal Year 2004-2005.

Description:

The proposed resolution would establish the dollar amount of the employer's contribution to be made to the Health Service Trust Fund by the City and County of San Francisco (City), the San Francisco Unified School District (SFUSD), and the San Francisco Community College District (SFCCD) for FY 2004-2005.

The Health Services Board and the City and County Health Services System, as required by Charter Sections A8.423 and A8.428, have surveyed the ten most populous counties in the State, excluding San Francisco, to determine the average dollar contribution made by these counties toward each employee's medical care insurance, excluding dental and optical care insurance. According to Mr. Jeffrey Hildebrant of HSS, the survey was completed on December 12, 2003.

In accordance with the Charter, this resolution would establish the FY 2004-2005 monthly contribution rate for health care insurance to be paid by the City, the SFUSD, and the SFCCD, at $312.90 per month ($3,754.80 annually) for each eligible, active employee, based on the survey results of the average payment made by the ten most populous counties in California (excluding San Francisco) as shown in the following table of most to least populous county:

County	Average Contributed Monthly Amount
Los Angeles	$276.16
Orange	395.83
San Diego	262.38
San Bernadino	298.45
Santa Clara	342.10
Riverside	317.55
Alameda	276.28
Sacramento	315.25
Contra Costa	299.35
Fresno	345.67
Total	**$3,129.02**
Average	**$312.90**

According to HSS, the ten-county survey for FY 2004-2005 indicates that the average employer contribution for employee only coverage for the ten most populous counties in California (excluding San Francisco) is $312.90 per month ($3,754.80 annually) per employee, excluding dental and optical care insurance. The City's current FY 2003-2004 contribution is $281.21 monthly ($3,374.52 annually) per employee. The proposed resolution would establish $312.90 as the monthly per employee contribution to be made in FY 2004-2005 by the City, SFUSD, and SFCCD for the health insurance costs of their employees. The proposed monthly rate of $312.90 ($3,754.80 annually) for FY 2004-2005 represents an increase of $31.69 per month or approximately 11.3 percent over the $281.21 monthly rate currently contributed in FY 2003-2004.

Comments:

1. The proposed 11.3 percent increase for FY 2004-2005 is the fourth most significant proposed increase in the monthly contribution since FY 1990-1991 when the rate increased by 16.3 percent. During the last decade, the annual survey of the other counties has resulted in average monthly contributions that increased minimally in most years and even decreased in FY 1995-1996 and FY 1996-1997. FY 2003-2004 resulted in a 14.0 percent rate increase, followed by the proposed rate increase of 11.3 percent for FY 2004-2005. According to Mr. Hildebrant, the significant proposed increase for FY 2004-2005 reflects the rising cost of health care coverage. Mr.

Hildebrant also notes that the rising cost is consistent with the marketplace for health care coverage as reported by Kaiser, Health Net and Blue Shield.

2. According to Mr. Hildebrant, the total current membership in HSS is approximately 40,418, which consists of 1) 29,681 active City and County employees, 2) 8,529 active SFUSD employees, and 3) 2,208 active SFCCD employees. According to Peg Stevenson of the Controller's Office, based on the current 29,681 active City and County employees, the estimated City and County contribution cost for FY 2004-2005 would be $111,446,219 (Membership 29,681 x $312.90/month x 12 months), which is $7,517,752 or 7.2 percent more than the approximate contribution cost of $103,928,467 for FY 2003-2004. Of the estimated FY 2004-2005 contribution cost of $111,446,219, Ms. Stevenson estimates that $61,295,420, or 55.0 percent would represent General Fund monies, which is $3,407,264 or 5.89 percent more than the approximate $57,888,156 General Fund portion in FY 2003-2004.

3. As previously noted, the City's contribution for health care coverage in FY 2003-2004 is equal to the average contribution of the ten most populous counties in California, excluding San Francisco, as determined by an HSS survey taken in December of 2003. According to Mr. Hildebrant, the rates provided by each of the ten counties are those in effect on January 1, 2004. Mr. Hildrebrant states that because some of the surveyed counties provide benefits coverage on a calendar year basis instead of on a fiscal year basis, the surveyed counties may subsequently increase or decrease their actual contributions during FY 2004-2005. Therefore, San Francisco's contribution may, in fact, be greater or less than the actual average contributions to be provided by the ten counties during FY 2004-2005. However, because HSS is required by the Charter to collect the comparative data in January of each year, HSS is only able to set its FY 2004-2005 rates based on rates reported by the ten surveyed counties in effect on January 1, 2004.

Recommendation: Approve the proposed resolution.

Item 9 - File 03-2051

Department: Public Utilities Commission (PUC)
Clean Water Program (CWP)

Item: Request for release of reserved monies in the amount of $5,000,000, previously appropriated by the Board of Supervisors in December of 2000 to fund two projects at the Southeast Water Pollution Control Plant for the PUC CWP: (a) the Interim Gravity Belt Thickener Project and (b) the Sludge Dewatering and Loadout Facility Improvement Project.

Amount: $5,000,000

Source of Funds: Unappropriated Surplus CWP funds[1] originally appropriated and reserved for the following two capital improvement projects:

Interim Gravity Belt Thickener Project	$2,500,000
Sludge Dewatering and Loadout Facility Improvement Project	$2,500,000
Total:	$5,000,000

Description: In December of 2000, the PUC submitted a supplemental appropriation request to the Board of Supervisors for a total of $5,000,000, to fund the construction of two odor control remediation projects at the Southeast Water Pollution Control Plant (File No. 00-1958) for the PUC Clean Water Program. The two projects were (a) the Interim Gravity Belt Thickener Project and (b) the Sludge Dewatering and Loadout Facility Improvement Project, as described in Attachment I, provided by the PUC. The Board of Supervisors appropriated the requested $5,000,000 and placed the funds on reserve pending the completion of a competitive bidding process to award the construction contract and submittal of a detailed budget.

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[1] The CWP fund balance was reimbursed from $5,000,000 received from the Catellus Development Corporation - $2,500,000 on November 29, 200 and $2,500,000 on October 22, 2001. The $5,000,000 payment from Catellus was part of an agreement made in 1998 for development of the Mission Bay Project and was designated for CWP Capital Improvements.

According to Mr. Jon Loiacono, Engineering Manager for PUC Water Pollution Control Division of the CWP, when the supplemental appropriation request was submitted to the Board of Supervisors the estimated cost to complete the two projects was $2,500,000 each or a total of $5,000,000. However, Mr. Loiacono reports that, as the design work for the projects progressed, it became apparent that each project would cost more than $2,500,000. Subsequently, the PUC CWP requested an additional appropriation of $1,500,000 for the Sludge Dewatering and Loadout Facility Improvement Project, which was approved by the Board of Supervisors in the PUC FY 2002-2003 budget. This $1,500,000, together with a reallocation of $4,600,000 from 1991 Clean Water Program Bond funds, or a total $6,100,000, was allocated for the Sludge Dewatering and Loadout Facility Improvement Project, as described in Attachment II provided by Mr. Carlos Jacobo of the PUC.

The PUC now estimates that the Interim Gravity Belt Thickener Project will cost $5,000,000 and is therefore requesting that the subject funds be released for just that one project.

Budget:

Based on a competitive bidding process, Schram Construction was awarded a construction contract by the PUC, based on low bid of $3,613,519. Attachment III, provided by the PUC, contains a budget for the Interim Gravity Belt Thickener Project in the amount of $5,000,000, as follows:

Construction Mgmt.	$ 708,824
Construction Contract	3,613,519
Design	286,000
Contingency[2]	361,657
Testing	30,000
Total:	**$5,000,000**

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[2] Represents ten percent of the Construction Contract amount.

Comments:

1. Based on PUC's latest cost estimates, the PUC is now requesting that the total of $5,000,000, previously placed on reserve by the Board of Supervisors for two Projects, the Interim Gravity Belt Thickener Project and the Sludge Dewatering and Loadout Facility Improvement Project, be used solely for the Interim Gravity Belt Thickener Project, which as noted above has a total estimated project cost of $5,000,000.

2. According to Ms. Monique Zmuda, Deputy Controller, if the Finance and Audits Committee approves this requested release of reserve of $5,000,000 for the Interim Gravity Belt Thickener Project, the Controller will transfer the $2,500,000 previously appropriated by the Board of Supervisors for the Sludge Dewatering Loadout Facility Improvement Project to the Interim Gravity Belt Thickener Project account.

3. According to Mr. Manfred Wong, Project Manager at PUC, construction of the project is estimated to begin February 17, 2004 and be completed by the end of April of 2005. Attachment IV is a memorandum from Mr. Loiacono explaining that the Interim Gravity Belt Thickener Project has been delayed, due to an extended competitive bidding process, since the original appropriation of $5,000,000 was approved by the Board of Supervisors in December of 2000.

4. As noted above, the PUC reports that the total costs for the Interim Gravity Belt Thickener Project have increased from $2,500,000 to $5,000,000 or 100% and the total costs for the Sludge Dewatering and Loudout Facility Improvement Project have increased from $2,500,000 to $6,100,000 or 144%. The PUC is now requesting that the entire $5,000,000, which was appropriated in December of 2000 and placed on reserve to fund both of these Projects, be used only to fund the Interim Gravity Belt Thickener Project. Therefore, the Budget Analyst considers approval of the proposed release

of reserved funds to be a policy matter for the Board of Supervisors.

Recommendation: Approval of the release of reserved funds is a policy matter for the Board of Supervisors.

Harvey M. Rose

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

ATTACHMENT I

SFPUC
WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

Water Pollution Control Division

MEMORANDUM

To: Harvey Rose
Budget Analyst

From: Jonathan Loiacono
Manager, Water Pollution Control Engineering

Date: January 26, 2004

Subject: Project Descriptions for the Gravity Belt Thickener and Sludge Loadout(840/860) Projects

Brief project descriptions are given below for the Gravity Belt Thickener Project (CW-263) and the 840/860 Sludge Loadout Facility.

The "Southeast Water Pollution Control Plant (SEWPCP) Odor Control Master Plan (*Brown and Caldwell, August 1998*)" identified the Dissolved Air Floatation Sludge Thickener Tanks(to be replaced by the Gravity Belt Thickeners), the sludge dewatering facility (Bldg. 840) and the sludge storage and loadout facility (Bldg. 860) as significant sources of odors, which contribute to off-site odor impacts in the surrounding community.

Descriptions:

Gravity Belt Thickener: Replacement of the existing open tank dissolved air flotation sludge thickening system with an enclosed, odor controlled interim gravity belt sludge thickener (GBT) facility to thicken waste-activated (secondary) sludge. The new facility will reduce odor emissions and operating costs.

840/860 Sludge Loadout Facility: Install ventilation, odor control systems, and enclosures to contain and treat foul air generated during centrifuge operation and sludge cake loadout.

The recommended project scope to effectively mitigate odors from these facilities includes: 1) upgrading the existing ventilation and odor control system at Bldg. 840 to treat air from the sludge cake conveyor room, 2) enclosing, ventilating, and treating foul air from the sludge loadout truck bays at Bldg. 860, 3) ventilating and treating foul air from the sludge cake conveyor tubes and storage bins, and 4) improve the sludge loadout by adding a loadout system under the hoppers.

Some operational impacts are expected since both facilities must remain in-service during construction.

Attachment II

WATER
HETCH HETCHY
WATER & POWER
CLEAN WATER

San Francisco
Public Utilities Commission
Financial Services
1155 Market St., 5th Floor
San Francisco, CA 94103

MEMORANDUM

DATE: JANUARY 23, 2004

TO: HARVEY M. ROSE, BUDGET ANALYST

CC: MANFRED M. WONG, SFPUC
JON LOIACONO, SFPUC

FROM: CARLOS JACOBO, BUDGET DIRECTOR, FINANCIAL SERVICES

SUBJECT: **SEWPCP INTERIM GRAVITY BELT THICKENER FACILITY PROJECT**

In December 2002, at the request of the San Francisco Public Utilities Commission (SFPUC) the Board of Supervisors approved a supplemental appropriation request in the amount of $5 million to fund the following two projects:

- Interim Gravity Belt Project $2.5 million
- Sludge Dewatering Improvement $2.5 million

Subsequently, the project manager determined that $2.5 million would not cover the total cost of the Sludge Dewatering project and the same was true of the Interim Gravity Belt Project. Based on this information, the department decided that it would use the $5 million (appropriated for both projects) to fully fund the Interim Gravity Belt Project.

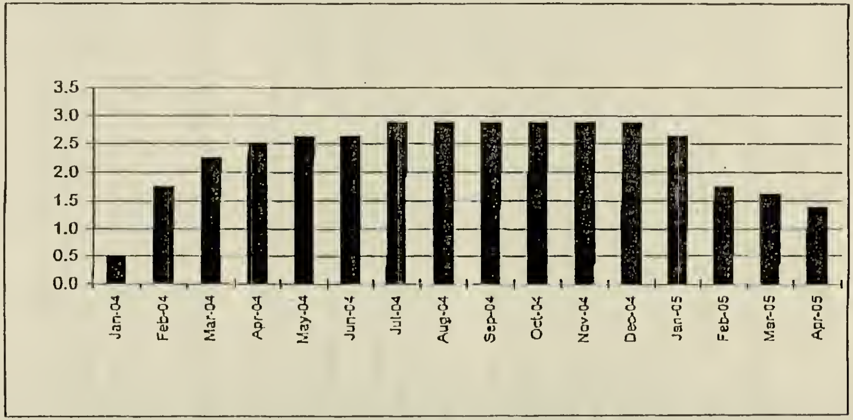
In order to begin work on the Sludge Dewatering Project, the department requested $1.5 million in Clean Water's capital budget for FY2002. In August of 2003, with the Commission's approval, Clean Water reallocated $4.6 million within the 91 Bond fund to fund the total cost of the project.

If you have any questions, please contact me at 487-5253.

Attachment III

MANPOWER REQUIREMENT
SFPUC CLEAN WATER PROGRAM
CW-263R2, SEWPCP Gravity Belt Thickenning Project

NAME	*EMPLOYER*	*POSITION*	*Jan-04*	*Feb-04*	*Mar-04*	*Apr-04*	*May-04*	*Jun-04*	*Jul-04*	*Aug-04*	*Sep-04*	*Oct-04*	*Nov-04*	*Dec-04*	*Jan-05*	*Feb-05*	*Mar-05*	*Apr-05*	*Total (hrs)*	*Rate/Hour*	*Total ($$)*
Month #			*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*	*16*			
M.Wong	PMB	PM	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	334	$ 178	$ 59,523
A. Abdi	UEB	CM	1	2	2	2	2	2	2	2	2	2	2	2	2	1	1	1	585	$ 140	$ 81,928
J. Wang	DPW	Res. Eng.	1	2	4	4	4	4	4	4	4	4	4	4	4	2	2	2	1,108	$ 121	$ 134,032
E. Parcero	UEB	Doc. Control		2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	627	$ 108	$ 67,716
Yoshi	UEB	Insp. Mech.		2	2	4	4	4	4	4	4	4	4	4	2	2	1	1	961	$ 108	$ 103,831
Secretary II	UEB	Admin.		2	4	4	4	4	4	4	4	4	4	4	4	2	2	2	1,087	$ 73	$ 79,336
Inspector	UEB/DPW	Elect./I&C		1	1	1	2	2	4	4	4	4	4	4	4	2	2	1	836	$ 108	$ 90,288
L. Leong	EE	Proj. Eng.	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	1	627	$ 147	$ 92,169
			Hrs/Day																-		
		Total Man-hours	87	304	391	434	456	456	499	499	499	499	499	499	456	304	282	239	6,166	-	$ 708,824
		Staff Required	0.5	1.8	2.3	2.5	2.6	2.6	2.9	2.9	2.9	2.9	2.9	2.9	2.6	1.3	1.6	1.4			



PM/CM/PE	19.6%
Testing Lab	$ 30,000

Contract $	$ 3,613,519
Conting.	$ 361,657
Design	$ 286,000
Total Cost	$ 5,000,000

SFPUC
WATER
TCH HETCHY
TER & POWER
EAN WATER

San Francisco Public Utilities Commission
Water Pollution Control Division

MEMORANDUM

To: Harvey Rose
Budget Analyst

From: Jonathan Loiacono
Jonathan Loiacono
Manager, Water Pollution Control Engineering

Date: January 22, 2004

Subject: Bidding history of the Gravity Belt Thickener Project CW-263

The GBT contract(CW-263) was initially advertised on August 5, 2002. Six bids were received and opened publicly on September 12, 2002 . All six bids substantially exceeded the Engineer's Estimate, which was $3.47 million. At that time the Public Utilities Commission approved the rebid of this contract with some modifications.

The contract was readvertised on November 16, 2002. Four bids were received and opened publicly on December.12, 2002. There were also multiple protests to the the bids. SFPUC staff and the City Attorney's office reviewed the bids and recommended to reject the bids. The review process took some time, delaying the rebid to June 24, 2003.

The final bid was received on September 4, 2003. This bid was within the engineer's estimate and has been accepted. The accepted bid was lower than the engineer's estimate.

The bids are listed below.

The contract (CW-263) was initially advertised on August 5, 2002. Six (6) bids were received:

	CONTRACTORS	BASE BID
1	Schram Construction	$ 3,736,998
2	Mitchell Engineering	$ 3,924,360
3	NCCI, Inc.	$ 3,944,500
4	Homer J. Olsen	$ 4,103,560
5	Trinet Construction	$ 4,331,275
6	Trico Construction	$ 4,629,389

and opened publicly on September 12, 2002.

All of 6 bids substantially exceeded the Engineer's Estimate and the Public Utilities Commission approved to rebid this contract with some modifications.

The contract was readvertised (CW-263R) on November 12, 2002. Four (4) bids were received:

	CONTRACTORS	BASE BID	Alternate
1	Millard Tong Construction	$ 3,197,620	$ 447,200
2	Schram Construction	$ 3,399,994	$ 382,000
3	NCCI	$ 3,407,000	$ 436,000
4	Homer J. Olsen	$ 3,488,560	$ 362,000

and opened publicly on December 12, 2002.

SFPUC staff reviewed the bids and recommended to reject the bids because of a need to revise the polymer system to prevent sole-sourcing and allow for competitive bids from multiple suppliers.

The contract was readvertised (CW-263R2) on June 24, 2003. One (1) bid was received on September, 4, 2003:

	CONTRACTORS	License #	Base Bid	Alternate 1	Alternate 2
1	Schram Construction	424667	$ 3,382,519	$ 231,000	$ 172,00

City and County of San Francisco

City Hall
1 Dr Carlton B Goodlett Place
San Francisco, CA 94102-4689

Meeting Agenda

Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, February 11, 2004 **12:30 PM** **City Hall, Room 263**

Regular Meeting

0.25
11/04

Note: Each item on the Consent or Regular agenda may include the following documents:
1) Legislation
2) Budget Analyst report
3) Legislative Analyst report
4) Department or Agency cover letter and/or report
5) Public correspondence
These items will be available for review at City Hall, Room 244, Reception Desk

Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.

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AGENDA CHANGES

REGULAR AGENDA

1. 040056 **[Cost sharing agreement to address Ocean Beach erosion issues]**

Mayor, Supervisors Ma, Hall

Resolution approving a Fiscal Cost Sharing Agreement with the U.S. Army Corps of Engineers concerning the study and development of alternatives to protect the Great Highway and Ocean Beach from beach and bluff erosion and authorizing other official acts in connection with this Agreement.

1/13/04, RECEIVED AND ASSIGNED to Finance and Audits Committee

2. 040091 **[Lease of Real Property - 1315 and 1319 Evans Avenue]**

Supervisor Maxwell

Resolution authorizing a lease of approximately 1,128 square feet of space at 1315 and 1319 Evans Avenue for the Department of Child Support Services for a term of five years.

1/27/04, RECEIVED AND ASSIGNED to Finance and Audits Committee

3. **040015** **[Lease of Real Property - 70 Oak Grove Street]**
Supervisors Sandoval, Peskin
Resolution authorizing the lease of 10,000 sq. ft. of space at 70 Oak Grove Street for the Sheriff's Department's Alternative Programs. (Real Estate Department)

1/12/04 RECEIVED AND ASSIGNED to Finance and Audits Committee

4. **040023** **[Public Auction of tax-defaulted real property]**
Resolution authorizing Tax Collector to sell at public auction certain parcels of tax-defaulted real property. (Treasurer-Tax Collector)

1/16/04, RECEIVED AND ASSIGNED to Finance and Audits Committee

5. **040082** **[Gift from Cypress Lawn Funeral Home]**
Resolution accepting Cypress Lawn Funeral Home's gift of goods and services to re-inter remains from the Yerba Buena Cemetery and agreeing to indemnify Cypress Lawn Funeral Home for any legal action resulting from and attributable to the provision of such goods and services. (Medical Examiner/Coroner)

1/26/04, RECEIVED AND ASSIGNED to Finance and Audits Committee.

6. **031960** **[Establishing administrative penalties and procedures for violations of the full-time driving requirement and for violations of the Taxi Commission's rules and regulations]**
Ordinance amending the San Francisco Police Code by adding Sections 1186, 1187, and 1188, to restate the full-time driving requirement, and to establish administrative penalties and procedures for violations of the full-time driving requirement and for violations of the Taxi Commission's rules and regulations. (Taxi Commission)

(No Public Benefit Recipient.)

11/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.
1/28/04 AMENDED. AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Naomi Little, Taxi Commission; Barry Taranto; Thomas Owen, Deputy City Attorney
Continued to 2/11/04
1/28/04, CONTINUED AS AMENDED

ADJOURNMENT

IMPORTANT INFORMATION

NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceedings begin, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to: Committee Clerk of the Finance and Audits Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above

LEGISLATION UNDER THE 30-DAY RULE

(Not to be considered at this meeting)

Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.

There are no items now pending under the 30-day rule.

Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at www.sfgov.org/bdsupvrs.bos.htm.

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

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AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 *必須在會議前最少四十八小時提出要求*
請電 (415) 554-7701

Disability Access

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

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The following services are available when requested 48 hours before the Committee meeting. This advance notice will help ensure availability.

· For American Sign Language interpreters or use of a reader during a meeting, contact Ohn Myint at (415) 554-7704.

· For a large print copy of agenda or minutes in alternative formats, contact Annette Lonich at (415) 554-7706.

· Assistive listening devices are available from the receptionist in the Clerk of the Board's Office, Room 244, prior to the meeting.

· The Clerk of the Board's Office TTY number is (415) 554-5227.

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Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco CA 94102 by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at Donna.Hall@sfgov.org

Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at http://www.sfgov.org/sunshine.htm

Lobbyist Registration and Reporting Requirements

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site www.sfgov.org/ethics

FINANCE AND AUDITS COMMITTEE
S.F. BOARD OF SUPERVISORS
CITY HALL, ROOM 244
1 DR. CARLTON GOODLETT PLACE
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

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City and County of San Francisco
Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, February 11, 2004 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

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MEETING CONVENED

251

/04

The meeting convened at 12:41 p.m.

REGULAR AGENDA

040056 **[Cost sharing agreement to address Ocean Beach erosion issues]**

Mayor, Supervisors Ma, Hall, McGoldrick

Resolution approving a Fiscal Cost Sharing Agreement with the U.S. Army Corps of Engineers concerning the study and development of alternatives to protect the Great Highway and Ocean Beach from beach and bluff erosion and authorizing other official acts in connection with this Agreement.

1/13/04, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speaker: Anna LaForte, Department of Public Works.
2/11/04 Amend the title on page 1 line 3, after "a" replace "Fiscal" with "Feasibility". At page 2 line 24, after "a" replace "Fiscal" with "Feasibility". At page 3 line 12, replace "$2,800,000" with "$2,782,000"; at line 21, after "the" replace "Fiscal" with "Feasibility"; at line 22, after "additional" replace "$227,000" with "$218,000". At page 5 lines 3, 4 and 5, delete "FURTHER RESOLVED, That any action taken by any City employee or official with respect to this Agreement and the actions contemplated herein are hereby ratified and affirmed."
Supervisor McGoldrick requested to be added as a co-sponsor.

AMENDED.

Resolution approving a Feasibility Cost Sharing Agreement with the U.S. Army Corps of Engineers concerning the study and development of alternatives to protect the Great Highway and Ocean Beach from beach and bluff erosion and authorizing other official acts in connection with this Agreement.

RECOMMENDED AS AMENDED by the following vote:
Ayes: 3 - Peskin, Sandoval, McGoldrick

040091 **[Lease of Real Property - 1315 and 1319 Evans Avenue]**

Supervisor Maxwell

Resolution authorizing a lease of approximately 1,128 square feet of space at 1315 and 1319 Evans Avenue for the Department of Child Support Services for a term of five years.

1/27/04, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Steve Legnitto, Real Estate Department; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

040015 **[Lease of Real Property - 70 Oak Grove Street]**

Supervisors Sandoval, Peskin, McGoldrick

Resolution authorizing the lease of 10,000 sq. ft. of space at 70 Oak Grove Street for the Sheriff's Department's Alternative Programs. (Real Estate Department)

1/12/04, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Steve Legnitto, Real Estate Department; Harvey Rose, Budget Analyst. Supervisor McGoldrick requested to be added as a co-sponsor.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

040023 **[Public Auction of tax-defaulted real property]**

Resolution authorizing Tax Collector to sell at public auction certain parcels of tax-defaulted real property. (Treasurer-Tax Collector)

1/16/04, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Heard in Committee. Speakers: Francis Nguyen, Tax Collector's Office; Harvey Rose, Budget Analyst Office.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

040082 **[Gift from Cypress Lawn Funeral Home]**

Resolution accepting Cypress Lawn Funeral Home's gift of goods and services to re-inter remains from the Yerba Buena Cemetery and agreeing to indemnify Cypress Lawn Funeral Home for any legal action resulting from and attributable to the provision of such goods and services. (Medical Examiner/Coroner)

1/26/04, RECEIVED AND ASSIGNED to Finance and Audits Committee.

Speakers: None.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

031960 **[Establishing administrative penalties and procedures for violations of the full-time driving requirement and for violations of the Taxi Commission's rules and regulations]**

Ordinance amending the San Francisco Police Code by adding Sections 1186, 1187, and 1188, to restate the full-time driving requirement, and to establish administrative penalties and procedures for violations of the full-time driving requirement and for violations of the Taxi Commission's rules and regulations. (Taxi Commission)

(No Public Benefit Recipient.)

11/25/03, RECEIVED AND ASSIGNED to Finance and Audits Committee.

1/28/04, AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE. Heard in Committee. Speakers: Naomi Little, Taxi Commission; Barry Taranto; Thomas Owen, Deputy City Attorney.
Continued to 2/11/04.

1/28/04, CONTINUED AS AMENDED.

Heard in Committee. Speakers: Naomi Little, Taxi Commission; Thomas Owen, Deputy City Attorney; Tara Houseman; James Kennedy; Mark Gruberg; Carl Macmurdo; Robert Cesana; Martin Smith; W. Blake Derby; Barry Taranto; William Guthrie; Brooks Dyer; Mulgeta Woldemariam; Anne McVeigh; Johnson Akinboaunse; Mark Giogi; Dennis Korkos; Norma Geer; Michael Spain; Gerald Ganley; Jane Bolig; Robert Gross; David Basada; Jim Nakamura; Todd Rydstrom.
Continued to 2/25/04.

CONTINUED **by the following vote:**
Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 2:58 p.m.

[All Committees]
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City and County of San Francisco
AMENDED Meeting Minutes
Finance and Audits Committee

Members: Aaron Peskin, Gerardo Sandoval and Jake McGoldrick

Clerk: Linda Laws

Wednesday, February 11, 2004 **12:30 PM** **City Hall, Room 263**

Regular Meeting

Members Present: Aaron Peskin, Gerardo Sandoval, Jake McGoldrick.

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Supervisor McGoldrick requested to be added as a co-sponsor.

AMENDED.

Resolution approving a Feasibility Cost Sharing Agreement with the U.S. Army Corps of Engineers concerning the study and development of alternatives to protect the Great Highway and Ocean Beach from beach and bluff erosion and authorizing other official acts in connection with this Agreement.

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Heard in Committee. Speakers: Steve Legnitto, Real Estate Department; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

040015 [Lease of Real Property - 70 Oak Grove Street]

Supervisors Sandoval, Peskin, McGoldrick

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Resolution authorizing Tax Collector to sell at public auction certain parcels of tax-defaulted real property. (Treasurer-Tax Collector)

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Heard in Committee. Speakers: Francis Nguyen, Tax Collector's Office; Harvey Rose, Budget Analyst Office.

RECOMMENDED by the following vote:

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Resolution accepting Cypress Lawn Funeral Home's gift of goods and services to re-inter remains from the Yerba Buena Cemetery and agreeing to indemnify Cypress Lawn Funeral Home for any legal action resulting from and attributable to the provision of such goods and services. (Medical Examiner/Coroner)

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Speakers: None.

RECOMMENDED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

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(No Public Benefit Recipient.)

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Continued to 2/11/04.

1/28/04, CONTINUED AS AMENDED.

Heard in Committee. Speakers: Naomi Little, Taxi Commission; Thomas Owen, Deputy City Attorney; Tara Houseman; James Kennedy; Mark Gruberg; Carl Macmurdo; Robert Cesana; Martin Smith; W. Blake Derby; Barry Taranto; William Guthrie; Brooks Dyer; Mulgeta Woldemariam; Anne McVeigh; Johnson Akinboaunse; Mark Giogi; Dennis Korkos; Norma Geer; Michael Spain; Gerald Ganley; Jane Bolig; Robert Gross; David Basada; Jim Nakamura; Todd Rydstrom.
Continued to 2/25/04.

CONTINUED by the following vote:

Ayes: 3 - Peskin, Sandoval, McGoldrick

ADJOURNMENT

The meeting adjourned at 2:58 p.m.

[Budget Analyst Report]
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CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

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February 5, 2004

TO: Finance and Audits Committee

FROM: Budget Analyst

SUBJECT: February 11, 2004 Finance and Audits Committee Meeting

Item 1 – File 04-0056

Department: Department of Public Works (DPW)
Department of the Environment (DOE)

Item: Resolution approving a Feasibility Cost Sharing Agreement (FCSA) between the City acting by and through the Department of Public Works and the Department of the Environment, and the U.S. Army Corps of Engineers for the feasibility phase of the Shoreline Protection of Ocean Beach Project (Project) consisting of a study for the development of alternatives to protect the Great Highway and Ocean Beach from beach erosion and authorizing other official acts in connection with this Agreement.

Amount for the Feasibility Phase of the Project: $2,782,000

Source of Funds for the Feasibility Phase of the Project:

U.S. Army Corps of Engineers	$1,391,000
State Department of Boating and Waterways	923,000
California Resources Agency Grant Funds	100,000
DPW's FY 2001-2002 Capital Improvement Program	150,000
Unidentified Funds	218,000
Total Cost of Agreement	$2,782,000

Description:

On July 19, 1999, the Board of Supervisors approved a resolution (File 99-1163) urging the DPW to begin a comprehensive planning process for long-term and short-term solutions to the continuing problem of beach erosion along The Great Highway at Ocean Beach. According to Ms. Anna LaForte of the Department of Public Works (DPW), beach erosion, caused by high tides and large waves, threatens City-owned and operated infrastructure located on the 0.75 mile area along the Great Highway at Ocean Beach, from Sloat Boulevard to the Fort Funston bluff, as described in Attachment I provided by Ms. LaForte. Ms. LaForte notes that beach erosion particularly threatens the roadway of The Great Highway, and the City's Lake Merced Tunnel and Transport Box under the roadway that serves as a sewer transport and storage facility.

Ms. LaForte reports that on January 3, 2001, the DPW, the Recreation and Park Department (RPD)[1] and the Department of the Environment (DOE) jointly requested that the U.S. Army Corps of Engineers (Corps of Engineers) participate with the City in the beach erosion problem at Ocean Beach through the Shoreline Protection of Ocean Beach Project. Ms. LaForte states that the Shoreline Protection of Ocean Beach Project, was initially started in the late 1970s, by the City, community groups, and various State and Federal agencies, to address the continuing problem of beach erosion at Ocean Beach. According to Ms. LaForte, the Project is comprised of five phases including the (1) reconnaissance phase, (2) feasibility phase, (3) design phase, (4) construction phase, and (5) operations maintenance phase.

According to Ms. LaForte, in response to the City's request on January 3, 2001, the Corps of Engineers conducted the reconnaissance phase of the Project between December of 2001 and September of 2002 using $100,000 in Federal monies earmarked for the Project. As a result of the work performed in the reconnaissance phase, which consisted of the Corps of Engineers reviewing the Project to determine if it met federal objectives for shoreline protection, the Corps of Engineers declared a federal interest in proceeding further with the feasibility phase of the Project, according to Ms. LaForte.

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[1] According to Ms. LaForte, the RPD has jurisdiction over the Great Highway, and will be involved by attending meetings, reviewing reports and coordinating with Federal agencies. However, the RPD will not be a signatory of the proposed Agreement.

Ms. LaForte states that the proposed feasibility phase, which is estimated to be begin in March of 2004 and be completed in March of 2007, will consist of feasibility studies that will scope the Project objectives, develop and review alternatives, provide coastal and general civil engineering services and environmental reports, and identify a preferred alternative for addressing the problem of beach erosion at Ocean Beach.

According to Ms. LaForte, Federal regulations require that the City enter into a Feasibility Cost Sharing Agreement with the Corps of Engineers in order to obtain Federal funds for the feasibility phase of the Project. Under the proposed Agreement, the Corps of Engineers would pay for 50 percent of the feasibility phase, and the City would pay for the remaining 50 percent (see Comment No. 3). The proposed Agreement states that, "the Sponsor shall contribute cash and in-kind services equal to fifty (50) percent of Study Costs other than excess Study Costs...The Sponsor shall pay a fifty (50) percent share of excess Study Costs in accordance with Article III.D. of this Agreement" (see Comment No. 4).

Budget: Page 3 of Attachment I, provided by Ms. LaForte, contains a budget showing the total estimated cost of $2,782,000 for the feasibility phase of the Project. As noted above, the Corps of Engineers would fund 50 percent or $1,391,000 of the total estimated project costs of $2,782,000 for the feasibility phase. The City would fund the remaining 50 percent, or $1,391,000, as required under the subject Agreement. Page 1 of Attachment II, provided by Ms. LaForte, shows a table which contains various data for all five phases of the project including the timeline. As noted in this Attachment, City funding sources are "to be determined", and that total costs will be dependent on the preferred project alternative.

Comments:

1. With respect to all five phases of the Shoreline Protection of Ocean Beach Project, Attachment II states that, "the total estimated cost of the Project to the City and the related funding sources to be provided by the City cannot be determined until the feasibility phase is complete and a preferred alternative is selected."

2. As noted in the feasibility phase funding sources above, $218,000 of the $1,391,000 has not been identified. Ms. LaForte states that the potential sources for this $218,000 would be from (i) future grants, (ii) the City's General Fund, or (iii) the local ½ cent Sales Tax for Transportation authorized by San Francisco voters in November of 2003. However, Ms. LaForte notes that the $218,000 would not be incurred until FY 2006-2007.

3. The Budget Analyst observes that the proposed Agreement does not specifically state that the Federal Government is required to pay 50 percent of the cost of the feasibility phase. However, according to Ms. LaForte, the Federal Government is obligated under the Federal Water Resources Development Act of 1986 to provide such funds.

4. As stated in Attachment II, "Excess study costs as defined in the FCSA would be costs above the anticipated study costs of $2,782,000. This is a standard clause included in FCSAs. The DPW does not anticipate any excess study costs."

5. As stated in Attachment I, the DPW has contracted with Moffatt and Nichol to perform coastal and general civil engineering and environmental services, at a cost of $300,000, based on an estimated 3,000 hours at an estimated average hourly rate of $100 per hour. According to Ms. LaForte, Moffatt and Nichol was selected in April of 2002 through a Request for Proposal process. According to Ms. LaForte, the contract work is not expected to begin until the proposed subject Agreement for the feasibility phase is approved by the Board of Supervisors. Ms. LaForte advises that the feasibility phase is anticipated to begin in March of 2004. Once the subject Agreement is executed, the Corps of Engineers is required under the Agreement to pay for 50 percent of all costs.

6. Attachment III provided by Ms. LaForte is a timeline showing the events related to the Shoreline Protection of Ocean Beach Project since the DPW was first authorized to begin the necessary work to address the emergency beach erosion problem at Ocean Beach in July of 1999.

7. According to Ms. LaForte the estimated cost of the feasibility studies in the Agreement is $2,782,000 instead of $2,800,000 as stated on lines 12 and 13 of page 3 of the resolution.

8. Ms. LaForte states that the unidentified funds, which are required to meet the City's financial obligation under the subject Agreement for the feasibility phase, are $218,000 instead of $227,000 as stated on line 22 of page 3 of the resolution.

9. Ms. LaForte states that the proposed resolution incorrectly refers to the subject Agreement as a Fiscal Cost Sharing Agreement. Instead, Ms. LaForte states that the proposed resolution should refer to the subject Agreement as a Feasibility Cost Sharing Agreement, not a Fiscal Cost Sharing Agreement.

Recommendations:

1. In accordance with Comment No. 7, amend the proposed resolution to substitute $2,782,000 for $2,800,000 on lines 12 and 13 of page 3.

2. In accordance with Comment No. 8, amend the proposed resolution to substitute $218,000 for $227,000 on line 22 of page 3.

3. In accordance with Comment No. 9, amend the proposed resolution to substitute "Feasibility Cost Sharing Agreement" for "Fiscal Cost Sharing Agreement" on line 3 of page 1, line 24 of page 2, and line 21 of page 3.

4. Approval of the proposed resolution, as amended, is a policy matter for the Board of Supervisors.

City and County of San Francisco

Gavin Newsom, Mayor
Edwin M. Lee, Director

(415) 558-4000
FAX (415) 558-4519
http://www.sfdpw.com

Department of Public Works
Finance and Budget Division
30 Van Ness Avenue, 5th Floor
San Francisco, CA 94102

Tina Olson, Division Manager

To: Leanne Nhan
Budget Analyst's Office

From: Anna LaForte
DPW

Date: January 27, 2004

Re: Resolution to approve a Feasibility Cost Sharing Agreement between the U.S. Army Corp of Engineers, the San Francisco Department of Public Works, and the San Francisco Department of the Environment for erosion control at Ocean Beach

This memorandum responds to your request for a budget and related information on the $2,782,000 Feasibility Cost Sharing Agreement (FCSA) between the U.S. Army Corp of Engineers (Corp), the San Francisco Department of Public Works, and the San Francisco Department of the Environment to analyze alternative solutions to beach and bluff erosion at Ocean Beach.

Beach erosion, caused by high tides and large waves, threatens the shoreline, City-owned and operated infrastructure such as The Great Highway and sewage facilities, recreational opportunities and resources such as the shoreline at Ocean Beach, and public property such as existing parking lots that provide beach access and the beach itself.

There are five phases of the federal project to develop a long-term plan for beach erosion control at Ocean Beach: reconnaissance, feasibility, design, construction, and operations maintenance. The Corp completed the reconnaissance phase on September 30, 2002 and issued report pursuant to the Water Resources Development Act Section 905(b) that declared a federal interest in proceeding with the feasibility phase of the Project. The Project is now in the feasibility phase, which consists of scoping the Project objectives, developing and reviewing alternatives, preparing environmental documents, and selecting a preferred alternative.

The City and the Corp have worked together to prepare a Project Management Plan (PMP) and finalize the FCSA, which DPW anticipates will be executed in March 2004. The PMP supports the FCSA by defining the planning approach, activities to be accomplished, schedule, and associated costs that the Federal Government and the City will be supporting financially. In order to expend federal funds on the feasibility phase of the project, the Corp must enter into an FCSA with the local participating government.

The feasibility phase is anticipated to cost approximately $2,782,000. The feasibility phase will begin once the FCSA is executed. The feasibility phase will take approximately three years to complete. Under the FCSA, the $2,782,000 cost of the feasibility phase will be divided between the Corp, which will provide 50 percent of the funding, and the City, which will provide the remaining 50 percent.

To meet our $1,391,000 share of the cost, DPW secured the following funding sources:

(1) $923,000 of a $1 million grant from the State Department of Boating and Waterways. DPW has spent $77,000 of the $1 million grant on staff review and preparation of the PMP and FCSA, leaving $923,000 in grant funds available for the City's share of the FCSA. The Board of Supervisors authorized DPW to accept and expend this grant under Resolution 526-01.

(2) $100,000 grant from the California Resources Agency, of which DPW has not spent any funds. The Board of Supervisors authorized DPW to accept and expend this grant under Resolution 641-02.

(3) $150,000 in FY 2001-2002 CIP funds appropriated by the Board of Supervisors during the annual budget process.

DPW needs to obtain an additional $218,000 to meet our financial obligation under the FCSA. DPW has substantial funds for the Project under the FCSA until FY 2006-07.

DPW anticipates the following timeline for expenditure of funds (50% Corp, 50% City):

FY 2003-04:	$200,000
FY 2004-05:	$800,000
FY 2005-06:	$1,000,000
FY 2006-07:	$782,000

DPW will spend equal to the Corp in any given fiscal year. Annual spending is dependent on the amount of funding the Corp has available for the Project on an annual basis.

Attached to this memorandum are budget details and a breakdown of City staff, Corp staff, and consultant services necessary to complete the feasibility phase.

Description	Total Cost
Surveys, Mapping (except Real Estate) and GIS	$126,800
Hydrology and Hydraulics Studies/Report (Coastal)	301,000
Geotechnical Studies/Report	70,600
Engineering and Design Analysis Report (Incl. constr. Services consultation)	143,400
Socioeconomic Studies	74,200
Real Estate Analysis/Report	55,000
Environmental Studies/Report (except USFWS CAR)	297,400
Fish and Wildlife Coordination Act Report	61,800
Hazardous, Toxic, and Radioactive Waste Studies/Report	2,000
Sociocultural Resources Appendix (Included in two entries below)	
Cultural Resources Studies	11,200
Social Impact Analysis	7,200
Cost Estimates	53,200
Public Involvement Documents	*Included in Env. Studies Est above*
Plan Formulation & Evaluation (incl City Planning)	290,600
Draft Report Documentation	24,000
Final Report Documentation	22,400
Technical Review Documents (Quality Control Review)	50,200
Washington Level Report Approval (Review Support)	50,000
Value Engineering Study	50,000
Project Management and Budget Documents (Incl City Project Management)	399,000
Supervision and Administration (10% of base costs)	209,000
Contingencies (20% of base costs)	418,000
Project Management Plan updates	65,000
Total	$2,782,000

The $2,782,000 is broken down as follows:

DPW Share

General engineering services to be provided by DPW staff 5241 Civil Engineer, approximately 340 hours @ $119 per hour (including department overhead) 5203 Assistant Engineer, approximately 885 hours @ $67 per hour (including department overhead)	$100,000
City Planning review fees including Master Plan consistency	75,000
DPW Project Management 9398 Manager of Capital Planning, approximately 942 hours @ $132.72 per hour (including department overhead)	125,000
Consultant Services DPW will manage a $300,000 contract with Moffatt and Nichol for coastal and general civil engineering and environmental services. DPW selected Moffatt and Nichol in April 2002 through an RFP process. The contract began in April 2002 and expires March 2005. Moffatt and Nichol have not begun work under this contract. Moffatt and Nichol will begin work under this contract as soon as the FCSA is executed.	300,000
To be transferred to the Corp to fund Corp staff and consultant services	791,000
DPW Total	$1,391,000

Corp Share

Corp staff and consultant services	$1,391,000
Corp Total	$1,391,000

	City Share*	Source of City Share	Corp Share*	Source of Corp Share	Total Cost	Timeline
Reconnaissance	0%	none required	100%	Federal Funds	$100,000	approximately one year
Feasibility	50%	State grants	50%	Federal Funds	$2,782,000**	approximately three years (March 2004 - March 2007)
Design	25%	to be determined	75%	Federal Funds	Cost depends on the preferred alternative identified during the feasibility phase. There are three hard structure concepts that could protect the City's infrastructure at Ocean Beach. The U.S. Army Corp of Engineers identified these three concepts in previous studies. The three concepts and their estimated costs are as follows: (1) a concrete seawall and promenade such as the O'Shaunessy Seawall – anticipated cost range: $2 million for design: (2) a buried concrete seawall – anticipated cost range: $1 million for design: and (3) a rock seawall – anticipated cost range: $1 million for design. A possible environmentally sensitive approach to protecting the beach, which, in turn, protects the bluffs and City infrastructure, includes sand replenishment - anticipated cost: $200,000 design and monitoring.	approximately two years (April 2007 - April 2009)
Construction ***	cost sharing varies with type of project	to be determined	cost sharing varies with type of project	Federal Funds	Cost depends on the preferred alternative identified during the feasibility phase. There are three hard structure concepts that could protect the City's infrastructure at Ocean Beach. The U.S. Army Corp of Engineers identified these three concepts in previous studies. The three concepts and their estimated costs are as follows: (1) a concrete seawall and promenade such as the O'Shaunessy Seawall – anticipated cost range: $30 million to $35 million for construction: (2) a buried concrete seawall – anticipated cost range: $13 million to $16 million for construction: and (3) a rock seawall – anticipated cost range: $26 million to $31 million for construction. A possible environmentally sensitive approach to protecting the beach, which, in turn, protects the bluffs and City infrastructure, includes sand replenishment - anticipated cost: $450,000 every three to five years.	varies with project; likely to take two years (May 2009 - May 2011)
Operations/maintenance	responsibilities vary by project	to be determined	responsibilities vary by project	Federal Funds	Cost depends on the preferred alternative identified during the feasibility phase	on-going

* The funding distribution for the local sponsor's share and the Federal share are standardized for a Federal civil works project under the Water Resources Development Act

** Excess study costs as defined in the FCSA would be costs above the anticipated study costs of $2,782,000. This is a standard clause included in FCSAs. OPW does not anticipate any excess study costs.

*** Construction costs do not include any additional costs of improving the roadway or public facilities, such as parking lot Operations/maintenance costs could range from $50,000 to $200,000 depending on the selected alternative.

NOTE: The feasibility phase begins when the Feasibility Cost Sharing Agreement has been signed. During the feasibility phase, the major documents prepared are the feasibility report and either the Environmental Impact Statement or Environmental Assessment. The feasibility report is supported by several technical reports for project engineering, real estate, and other technical analyses. The feasibility phase ends when the Chief of Engineers signs the "Chief's Report" and transmits it and the feasibility report to the Assistant Secretary of the Army for Civil Works. This report is then submitted to the Office of Management and Budget and the Congress for authorization to construct the recommended project. The proposed resolution would approve the Feasibility Cost Sharing Agreement. The Department will enter into a future agreement for the design phase once the feasibility phase has been completed and the Congress authorizes construction.

NOTE: The total estimated cost of the project to the City and the related funding sources to be provided by the City cannot be determined until the feasibility phase is complete and a preferred alternative is selected.

TABLE 2

SUMMARY OF NON-FEDERAL SPONSOR COST SHARING RESPONSIBILITIES FOR SPECIFICALLY AUTHORIZED PROJECTS

[Under Water Resources Development Act of 1986 (Public Law 99-662) as amended by Water Resources Development Act of 1996 (Public Law 104-303)]

PROJECT DEVELOPMENT PHASE	NON-FEDERAL Sponsor Cost Share
1. Reconnaissance Phase	0% (100% Federal)
2. Feasibility Phase	50% (except Inland Waterways is 100% Federal)
3. Preconstruction Engineering and Design Phase	25%
4. Construction Phase	By Mission: Navigation, Harbor 20% if depth is ≤ 20 feet 35% if depth is > 20 but ≤ 45 feet 60% if depth is > 45 feet Navigation, Inland 0% (50% Federal, 50% Inland Waterway Trust Fund) Flood Damage Reduction 35% to 50% for Structural Features 35% for Non-structural Features Hurricane and Storm Damage Reduction - 35% Ecosystem Restoration - 35% Water Supply 35% for Agricultural 100% for Municipal and Industrial Recreation - 50%
5. Operations and Maintenance Phase	Flood Damage Reduction - 100% Ecosystem Restoration - 100% Harbors and Inland Navigation - 0% (except 50% of cost over that of 45 foot depth)

NOTE: Cost sharing for the Continuing Authorities Programs (CAP) is in some cases different. The district project manager can provide you with these cost sharing requirements.

City and County of San Francisco

Gavin Newsom, Mayor
Edwin M. Lee, Director

(415) 558-4000
FAX (415) 558-4519
http://www.sfdpw.com

Department of Public Works
Finance and Budget Division
30 Van Ness Avenue, 5th Floor
San Francisco, CA 94102

Tina Olson, Division Manager

To: Leanne Nhan
Budget Analyst's Office

From: Anna LaForte
DPW

Date: February 2, 2004

RE: Request for information on project timeline since July 1999

The Shoreline Protection of Ocean Beach Project has progressed steadily since July 1999 when the Board of Supervisors urged DPW to begin a comprehensive planning process for long term and short term solution to beach erosion. The following timeline illustrates the events of the past four and a half years.

- March 2000 – The Ocean Beach Task Force formed and started holding monthly meetings to discuss issues at Ocean Beach.
- January 2001 – DPW, DOE, and the Recreation and Park Department send a letter to the ACOE to renew a Federal interest in the beach erosion problem at Ocean Beach.
- February 2001 – The Ocean Beach Task Force submits a list of recommended alternatives to be studied to resolve erosion issues at Ocean Beach.
- March 2001 – City is notified of Public Beach Restoration Program grant award for $1 million from the California Department of Boating and Waterways.
- July 2001 – State and City execute grant agreement for $1 million grant from the California Department of Boating and Waterways.
- August 2001 – City receives letter from California Department of Boating and Waterways encouraging our efforts to request funding and technical assistance from the ACOE, and to coordinate the project with the ACOE.
- October 2001 - $100,000 is appropriated to the ACOE in the Federal Budget for the reconnaissance phase of the Ocean Beach project; ACOE begins work on the reconnaissance phase.
- April 2002 – DPW selects Moffatt & Nichol to assist on a variety of project studies associated with the feasibility phase.
- April 2002 – DPW receives a $100,000 grant from the California Resources Agency to complete a Preliminary Evaluation of Alternatives Report, to be completed during the first year of the feasibility phase.
- September 2002 – ACOE completes the Reconnaissance Report and declares a federal interest in proceeding with the feasibility phase of the project.
- October 2002 to June 2003 – City and ACOE work together to prepare a Project Management Plan.
- June 2003 to October 2003 – City and ACOE work together to prepare a Feasibility Cost Sharing Agreement
- February 2004 – Resolution to approve the Feasibility Cost Sharing Agreement considered by the Board of Supervisors.

Item 2- Files 04-0091

Departments:	Real Estate Division (RED) Department of Child Support Services (DCSS)
Item:	Resolution authorizing a new lease of approximately 1,128 square feet of space at 1315 and 1319 Evans Avenue for the Department of Child Support Services for a term of five years.
Location:	1315 and 1319 Evans Avenue, commonly known as 1301 Evans Avenue
Purpose of Lease:	To provide program services in the Bayview Hunters Point area
Lessor:	John M. Holland, IV, Guy R. Holland and Barbara J. Holland
Lessee:	City and County of San Francisco, on behalf of the Department of Child Support Services, through the Real Estate Division
Term of Lease:	Five years, commencing approximately March 1, 2004 and terminating on February 28, 2009.
Right of Renewal:	One additional five-year option.
Number of Square Feet:	1,128
Monthly and Annual Rent Payable by the City to Lessor:	The monthly rent for the 1,128 square feet would be $1,692, or $1.50 per square foot per month ($20,304 annually) for the five-year term of the lease. If the DCSS exercises the five-year option to extend the proposed lease, rent would be adjusted at the beginning of the first year of the lease extension based on the cumulative increase in the CPI over the initial five-year term of the lease and the rent would remain at that same level for the five-year extension period.

Source of Funds: Funds received by the DCSS from the State

Utilities and Janitorial Services: To be provided by the Lessor at no cost to the City.

Description: The proposed resolution would authorize a new lease at 1301 Evans Avenue, consisting of 1,128 square feet of space for the DCSS to locate a Bayview Hunters Point Branch Office to provide program services to the Bayview Hunters Point community. According to Ms. Karen Roye, of the DCSS, the proposed Bayview Hunters Point Branch Office would provide all the services that DCSS currently provides, including (a) establishing paternity, (b) locating parents, (c) requesting child support orders from the court, (d) requesting medical support orders from the court, (e) enforcing child and spousal support orders, (f) modifying child support orders, and (g) opening new child support cases. However, Ms. Roye reports that the proposed Bayview Hunters Point Branch Office would not be able to accept child support payments since the proposed 1301 Evans Avenue location will not be staffed by a cashier. The cashier services are housed at a facility located at 617 Mission Street.

Ms. Roye reports that currently two employees of the DCSS are providing services to the Bayview Hunters Point community in approximately 128 square feet of space leased by the Department of Human Services (DHS) at 3801 Third Street. Ms. Roye reports that DHS will utilize the approximately 128 feet of space which has been used by DCSS. These two DCSS employees also share a private office with DHS when consulting with DCSS clients. Ms. Roye advises that these two employees, and an additional three employees currently located in space leased by the DCSS at 617 Mission Street, will be relocated to the proposed 1301 Evans Avenue facility. The 617 Mission Street facility serves as the main office for DCSS. The three employees to be relocated from the 617 Mission Street facility currently occupy approximately 192 square feet of space. If the proposed lease at 1301 Evans Avenue is approved, the 192 square feet of space to be vacated at 617 Mission Street will be used by DCSS employees who are currently on leave, but who are scheduled to return to work in March of 2004.

Comments:

1. All costs associated with DCSS, including the proposed monthly rent of $1,692, are funded 100 percent with State funds.

2. Ms. Roye reports that five DCSS employees will be housed at the 1315 and 1319 Evans Avenue site with total space of 1,128 square feet, resulting in an average of approximately 225 square feet per employee. Ms. Roye notes a room for confidential counseling and a play room for children are part of the 1,128 square feet.

3. Mr. Julian Sutherland of the RED reports that the monthly rent of $1,692, or $1.50 per square foot per month, represents the current fair market rate.

4. According to Ms. Roye, relocating the five employees from both 3801 Third Street and 617 Mission Street to the proposed 1301 Evans Avenue facility will allow DCSS to provide services to its clients in one facility in the Bayview Hunters Point area. Additionally, according to Ms. Roye, since DHS will be reorganizing its office space at the 3801 Third Street facility, DHS has requested that DCSS vacate the 128 square feet of space which DCSS currently occupies at 3801 Third Street.

Recommendation:

Approve the proposed resolution.

Item 3 - Files 04-0015

Departments:	Real Estate Division (RED) Sheriff's Department
Item:	Resolution approving and authorizing a new lease between the City and County of San Francisco, on behalf of the Sheriff's Department, as lessee, and Ruth Mellinger, as lessor.
Location:	70 Oak Grove Street, San Francisco
Purpose of Lease:	To provide space for two programs for the Sheriff's Department that provide alternatives to incarceration in the City's jails. These two programs include (1) an expansion to the Charter School that provides a high school education and diplomas to jail inmates and to participants in the Sheriff's Alternative Programs that provide alternatives to incarceration in the City's jails and (2) to relocate space for the Sheriff's Work Alternative Program (SWAP), which assigns persons who are sentenced to perform community service, to perform work for City departments. Such work would include performing street cleaning responsibilities for the Department of Public Works.
Lessor:	Ruth Mellinger
Lessee:	City and County of San Francisco, on behalf of the Sheriff's Department, through the Real Estate Division
Term of Lease:	Ten years, commencing in June 1, 2004 and terminating on May 31, 2014.
Right of Renewal:	Two additional five-year options.
Number of Square Feet:	10,000

Monthly and Annual Rent Payable by the City to Lessor:

The monthly rent would be $14,125, or $1.4125 per square foot per month ($169,500 annually) based on 10,000 square feet, during the first five years of the proposed lease. Rent would be adjusted at the beginning of the sixth year of the lease by the cumulative increase in the CPI over the first five years, with a minimum increase of 10 percent and a maximum increase of 30 percent. Therefore, in Years Six through Ten, the monthly rent would be between $15,538 (representing a 10 percent increase over the beginning rent of $14,125 monthly) and $18,363 (a 30 percent increase over the beginning rent of $14,125 monthly).

Source of Funds and Related Costs:

The specific funding sources and related costs are specified in Attachment I, provided by Ms. Jean Mariani of the Sheriff's Department.

Utilities and Janitorial Services:

Ms. Mariani reports that janitorial services will be provided by participants in the Sheriff Work Alternative Program, at no additional cost to the City. Ms. Mariani further reports that the Sheriff's Department would expend approximately $900 per month in utility costs. According to Ms. Mariani, the $900 in utility costs would be provided from the Sheriff's Inmate Welfare Fund, which derives monies from jail commissary sales (incidental items, candy bars, etc.).

Tenant Improvements:

According to Ms. Mariani, the City will pay for $132,435 for tenant improvements to prepare the building for operation of the Charter School using State funds allocated to the Sheriff's Department. Attachment II, provided by the RED, is a budget for the $132,435 in tenant improvements (budget shows an amount of $132,437).

Description:

The proposed resolution would authorize a new lease at 70 Oak Grove Street, consisting of 10,000 square feet of space for the Sheriff's Department to house two programs that provide alternatives to incarceration in the City's jails.

One program is an existing high school known as Five Keys Charter School, which is an independent non-profit organization sponsored by the San Francisco Unified School District. Five Keys Charter School would occupy 8,621 square feet of the 10,000 square feet under the proposed lease at 70 Oak Grove Street. Five Keys Charter School provides a high school education and diplomas to jail inmates and participants in the Sheriff's Alternative Programs. Some of these programs include (a) the Post Release Education Program, (b) the Supervised Pretrial Release program, and (c) the Electronic Home Detention/Monitoring program.

The proposed new lease at 70 Oak Grove Street will allow the Five Keys Charter School to expand the student population by providing the same educational services to persons after their release from custody as well as to participants in the Sheriff's Alternative Programs, in addition to continuing to provide educational services to inmates at County Jails #7 and #8.

As stated in Attachment I, Five Keys Charter School currently offers classes to jail inmates at County Jails #7 and #8 as well as to a limited number of persons who are out of the custody of the Sheriff's Department. Currently there are 240 students taught by Five Keys Charter School. Attachment I states that by obtaining additional space under the proposed new lease at 70 Oak Grove Street, Five Keys Charter School would be able to accommodate up to an additional 200 students at any given time. Attachment I also states that funding for the school, including staff salaries, is provided by the State Department of Education. According to Ms. Mariani, at any given time up to ten teachers and three administrative staff would staff the Charter School at 70 Oak

City and County of San Francisco

OFFICE OF THE SHERIFF

Michael Hennessey
SHERIFF

415 - 554 - 7225

Attachment I
Page 1 of 3

February 4, 2004
Reference CFO-2004-003

REVISED

Budget Analyst's Office
Board of Supervisors
City Hall, Room 244

RE: Lease of Real Property – 70 Oak Grove Street (File 040015)

The Sheriff's Department proposes to lease 10,000 square feet of space at 70 Oak Grove Street for two programs that provide alternatives to incarceration in the City's jails.

CHARTER SCHOOL: The first is a Charter School offering classes in a variety of subjects leading to a high school diploma. (According to the State Department of Education, a charter school is a public school and may provide instruction in any of grades K-12. A charter school is usually sponsored by an existing local public school board or county board of education. Specific goals and operating procedures for the charter school are detailed in an agreement (or "charter") between the sponsoring board (in this instance the San Francisco Unified School District) and charter organizers (in this instance Five Keys Charter School, an independent nonprofit organization). California public charter schools are required to participate in the statewide assessment test, called the STAR (Standardized Testing and Reporting) program. The law also requires that a public charter school be nonsectarian in its programs, admission policies, employment practices, and all other operations. Public charter schools may not charge tuition and may not discriminate against any pupil on the basis of ethnicity, national origin, gender, or disability.)

Charter School classes are currently taught to 240 in-custody participants in classrooms at County Jails #7 (San Bruno) and #8 (at 425 7th Street) and to 30 out-of-custody participants in a small (approximately 120 square feet) conference room at 930 Bryant Street. The school has seven full-time, four part-time, and three substitute teachers.

Both jails and the facility at 930 Bryant Street are City-owned facilities. In-custody students spend approximately four hours per day in one class and semesters are approximately one month long. Acquiring the four classrooms at 70 Oak Grove would allow the Charter School to expand its services and increase the number of out-of-custody students it can serve by teaching participants after their release from jail as well as providing an alternative to incarceration for low-risk offenders. This will permit more subject diversity and should result in more students achieving their high school diplomas. The Charter School will occupy approximately 86.21 percent or 8,621 square feet of the total 10,000 square foot building. This will allow the Charter School to teach up to 200 students at any given time. Staffing at the proposed building will consist of up to ten teachers at any given time and approximately three administrative staff (principal, assistant principal, registrar). Funding for staff salaries and the school, an independent non-profit organization that is chartered by the San Francisco Unified School District, is from State Department of Education ADA funds. The Sheriff's Department does not pay for the education services provided by the Charter School. Any expansion of Charter School services would be funded by the State Department of Education.

SWAP: The second program proposed for 70 Oak Grove is the Sheriff's Work Alternative Program (SWAP) currently housed at 930 Bryant in a very small office of approximately eight feet by ten feet or approximately 80 square feet. There are currently eight City employees (1 cadet and 7 deputies – cadets wear gray uniforms and deputies wear either khaki or black uniforms) paid for by the General Fund working in this program. The program links persons sentenced to perform community service in lieu of serving time in jail with City departments such as the Department of Public Works for street cleaning and other activities. In addition to the inadequate and substandard space and facilities for staff, the current location of the program creates morning traffic jams on Bryant Street. The proposed location includes an off street parking area that will allow for more efficient mobilization and eliminate the traffic congestion problems. SWAP will occupy approximately 13.79% or 1,379 square feet of the building. SWAP services are funded by the City General Fund and fees charged to participants on a sliding fee scale based on their ability to pay. Because the program provides an alternative to serving a sentence in jail, participants can arrange their community service time in coordination with their employment. No one is denied services due to lack of income. For 2003-04, the Sheriff expects to collect approximately $120,000 in SWAP fees.

BUILDING COSTS: The Sheriff does not expect to require any General Fund support for the new building. Estimated 2003-04 expenses for the building are $132,435 for one-time improvements (classrooms HVAC, additional power, additional washrooms, and other specialty improvements) to be funded by State Citizens' Option for Public Safety Program (COPS) funds allocated to the Sheriff's Department and $14,125 for June rent, funded from the Inmate Welfare Fund (IWF). Estimated utility costs are approximately

$900 per month, funded from IWF. SWAP workers will provide janitorial services for their community service hours.

For 2004-05, estimated expenditures are $169,500 for annual rent to be funded by the Sheriff's State Citizens' Option for Public Safety Program (COPS) funds (the Governor's 2004-05 budget includes $198,551.76 for the San Francisco Sheriff's Department, the same as for 2003-04). If those funds are reduced in the State budget, the Sheriff will first look to savings and/or rebudget funds in the IWF. Utility costs, estimated at $10,800, will be paid from the IWF. The Sheriff does not expect to require any General Fund support for the new building. Following is a recapitulation of the estimated costs of the proposed lease:

ITEM	FY 2003-2004	FY2004-2005
Sources of Funds		
State COPS Funds	$132,435	$169,500
Inmate Welfare Fund	15,025	10,800
TOTAL SOURCES	$147,460	$180,300
Uses of Funds		
One-time Improvements	$132,435	$0
Utility Costs	900	10,800
Rent	14,125	169,500
TOTAL USES	$147,460	$180,300

If you have any questions, please contact me at 554-4316.

Sincerely,

Jean M. Mariani
Chief Financial Officer

cc: Charlie Dunn, Real Estate

Attachment II

70 Oak Grove

Specialty Improvement Costs

Item		Estimated Cost
Additional Washrooms (2 x 37387)		$75,674
Classroom code upgrades		$33,938
Fire rated walls (382 ln ft @ $24/ ft)	9168	
Fire Rated Doors, frames & Hardware 22 doors @ $331	7282	
Smoke Dampers (8 dampers @ $1436)	11488	
Strobes & other Life safety 4 classroom @ $1500/ each	6000	
Subtotal	33938	
10% contribution to "E" Occupancy Seismic (10 % of $124,543 total seismic)		$12,454
Additional Classroom Heating & Venting (2 additional VAV units @ $4600 each)		$9,200
Misc. (Signage & other)		$1,171
Total		$132,437

CDunn
City Specialty costs r2

Item 4 - File 04-0023

Department: Office of the Treasurer and Tax Collector

Item: Resolution authorizing the Tax Collector to sell at public auction certain parcels of tax-defaulted real property.

Description: According to State law, if a property owner does not pay Property Taxes in any one year, the property owner is then considered to be in default. The property owner then has five years to either repay the defaulted Property Tax amount in full or to apply for an installment payment plan over a five-year period. If the defaulted Property Taxes are not repaid in full within five years from the date that the Property Taxes are determined to be tax-defaulted, or if the property owner has not initiated an installment payment plan or has defaulted on an installment payment, then the State grants authority to the Tax Collector to sell the property through a public auction process.

In order to conduct such a public auction, the Tax Collector must first receive authorization from the Board of Supervisors and the State Controller's Office. The proposed resolution would authorize the Tax Collector to sell certain tax-defaulted properties.

Comments: 1. Mr. Francis Nguyen of the Tax Collector's Office advises that 115 properties would be offered at the proposed public auction. A copy of the list of properties to be auctioned, together with their minimum bid amounts, is on file with the Clerk of the Board. According to Mr. Nguyen, the last public auction of tax-defaulted property occurred on April 25, 2003.

2. According to Mr. Nguyen, the properties to be sold at the proposed public auction consist of 58 timeshare properties, 20 vacant lots, 18 single family residential properties, 8 industrial properties, 4 flats, 3 commercial properties, 2 condominiums and 2 apartment properties for a total of 115 properties. Mr. Nguyen reports that property owners have the option to repay all of the delinquent taxes in full up until the close of business on the day prior to the date of the proposed public auction

and the properties whose owners repay all of the delinquent taxes in full would not be subject to sale at the proposed public auction. Therefore, the number of properties actually subject to sale at the proposed public auction may be less than the 115 properties currently listed.

3. Mr. Nguyen advises that the minimum bid amounts required to be submitted for the acquisition of the tax-defaulted properties are based on the total of (a) all unpaid delinquent taxes, (b) delinquent penalties, (c) redemption penalties, (d) redemption fee, (e) title report costs, (f) cost for publication of notice of sale, (g) cost of conducting the public auction, and (h) the Tax Collector's costs of contacting the property owners in person. Therefore, based on such minimum bid amounts, Mr. Nguyen reports that the total minimum proceeds from the sale of the subject 115 properties would be $1,893,851.32, of which $1,893,678.82 would be credited to the City's General Fund upon sale of the tax-defaulted properties, with the balance of $172.50 to be paid to the State, as an administration fee of $1.50 for each property. Any additional proceeds realized, from the public auction sale of such properties to the high bidders, in excess of the minimum bid amounts established by the Tax Collector, would revert to the property owners or to other parties of interest, such as lien-holders of such properties.

4. According to Mr. Nguyen, after the Board of Supervisors has approved this proposed resolution, the State Controller's Office would be requested by the Tax Collector's Office to also authorize the proposed public auction in order to comply with State law. Subsequent to receiving approval from the State, the list of properties to be sold at the public auction would be made available to interested parties (persons who have contacted the Tax Collector's Office to inquire about public auctions). Additionally, according to Mr. Nguyen, the properties to be sold at public auction would be advertised once a week for three consecutive weeks in the *San Francisco Independent*. The newspaper advertisements would contain the time and date of the public auction, instructions on how to obtain the list of the properties to be auctioned and the properties' required minimum

acceptable bids. Mr. Nguyen anticipates that the public auction will take place on April 30, 2004. Any property for which the City does not receive the required minimum bid amount would be offered for sale at a subsequent public auction, according to Mr. Nguyen. However, as stated in the Attachment to this report, Mr. Nguyen reports that "[i]n the event that any specific parcel cannot be sold at the minimum bid, the Tax Collector, with the approval of the Board of Supervisors, may offer the parcels at less than the required minimum selling price. Section 3698.5(c) of the California Revenue and Taxation Code allows the Tax Collector to set the minimum price that he or she deems appropriate in light of the unique circumstances with respect to that property. This option is sometimes exercised when it is apparent that the market value of a parcel is substantially less than the sum of the standard minimum bid amount."

5. Mr. Nguyen advises that the Tax Collector is required to notify the delinquent property owners, by certified mail, that such property owners are required to pay their delinquent Property Taxes in full in order to prevent their property from being sold at public auction. Such notifications, pertaining to the subject 115 properties to be sold at public auction, were mailed to each of the property owners on May 20, 2003, according to Mr. Nguyen. Mr. Nguyen advises that default notices and notices included in the Property Tax bills were also previously mailed, on an annual basis, to each of the 115 property owners for the past five years, as required by State law. Mr. Nguyen reports that the Tax Collector's Office has also notified, by personal contact, each of the property owners and/or occupants of each property scheduled for public auction that their properties are in default and that full payment of the delinquent Property Taxes owed to the City is required in order to prevent their properties from being sold at public auction.

Recommendation: Approve the proposed resolution.

Office Of The Treasurer/Tax Collector

City and County of San Francisco
Mailing Address: P.O. Box 7426 ❖ San Francisco, CA 94120-7426
Street Address: 1 Dr. Carlton B. Goodlett Pl., Rm 140, City Hall ❖ San Francisco, CA 94102

SUSAN LEAL, Treasurer
Phone: (415) 554-4478

GEORGE W. PUTRIS, Tax Administrator
Phone: (415) 554-4874

Attachment

February 4, 2004

MEMORANDUM

TO: Budget Analyst
Board of Supervisors
FROM: George W. Putris
Tax Administrator
RE: Public Auction Sale of Tax-Defaulted Properties

In the event that any specific parcel cannot be sold at the minimum bid, the Tax Collector, with the approval of the Board of Supervisors, may offer the parcels at less than the required minimum selling price. Section 3698.5(c) of the California Revenue and Taxation Code allows the Tax Collector to set the minimum price that he or she deems appropriate in light of the unique circumstance with respect to that property. This option is sometimes exercised when it is apparent that the market value of a parcel is substantially less than the sum of the standard minimum bid amount.

The reduced amount will be determined at the end of the public auction sale based on the sale price of other comparable properties. The purpose for offering tax-defaulted property at public auction is to collect the unpaid taxes and to convey the property to a responsible owner.

If you have any questions regarding this issue, please contact Mr. Francis T. Nguyen, Property Tax Manager, at (415) 554-4448.

Item 6 - File 03-1960

Note: This item was continued by the Finance and Audits Committee at its meeting of January 28, 2003.

Department:	Taxi Commission
Item:	Ordinance amending Article 16 of the Police Code by adding Sections 1186, 1187, and 1188 to establish administrative penalties and procedures for violations of the full-time driving requirement and for violations of the Taxi Commission's rules and regulations.

Description:

Currently, Article 16 of the Police Code includes a list of infractions and the corresponding fine amounts for such infractions for violations committed by Taxicab permit holders of the Taxi Commission's rules and regulations. According to Mr. Farell Suslow of the Police Department, citations for such violations are issued by the Police Department's Taxi Detail. According to Mr. Tom Owen of the City Attorney's Office, an infraction is the lowest category of a criminal offense. Mr. Owen states that citations for infractions are issued by police officers and the violations are prosecuted by the District Attorney.

Currently, there are fine amounts for such infractions which Mr. Owen states can only be imposed by the Courts. However, there are no administrative penalties for violations committed by Taxicab permit holders of the Taxi Commission's rules and regulations. According to Mr. Owen, an administrative penalty is a fine or monetary penalty levied directly by an administrative agency pursuant to authorizing legislation.

The proposed ordinance would amend Article 16 of the Police Code by adding Sections 1186, 1187, and 1188 to authorize the Taxi Commission's Executive Director to impose administrative penalties for violations committed by Taxicab permit holders instead of assessing the existing fine amounts for infractions set by the Courts. Ms. Naomi Little, Executive Director of the Taxi Commission, advises that the proposed administrative penalty amounts have been set at the same level as the existing infraction fine amounts for violations committed by taxicab permit holders of the Taxi Commission's rules and regulations. According to Ms. Little, the existing fine amounts range from a low of $25 to a high of $250 for the first violation.

Currently, Article 16 of the Police Code and Appendix 6 of the Administrative Code allows the Taxi Commission to suspend or revoke a taxicab permit if the taxicab permit holder violates the full-time driving requirement. In accordance with these Codes, taxicab permit holders are required to be "full-time drivers," which is defined as the operation of the taxi at least four hours during any 24-hour period on at least four hours during any 24-hour period on at least 75 percent of the business days during the calendar year. Taxicab permit holders may lease their Taxicab permits, at any rate they choose, to other drivers for the remaining time when the permit holder is not driving his or her taxicab. According to Mr. Owen, the District Attorney may prosecute violations committed by taxicab permit holders of the full-time driving requirement. However, there are no fine amounts assessed for infractions or administrative penalties with respect to violations of the full-time driving requirement committed by taxicab permit holders.

The proposed ordinance would establish an administrative penalty amount for violations of the full-time driving requirement. The penalty amount could not exceed 1.5 times any lease fees charged by the taxicab permit holder to the other drivers who lease their taxicabs.

The proposed new Sections 1186, 1187, and 1188 to Article 16 of the Police Code would also:

- Establish procedures for the imposition of the new administrative penalties, such that the Executive Director notifies the taxicab permit holders in writing of the violation, the amount of the administrative penalty, and the right for the taxicab permit holder to request an administrative review of the Executive Director's determination of the violation.
- Establish administrative review procedures, such that the taxicab permit holder may request an

administrative review of the Taxi Commission's Executive Director's determination of a charged violation within 15 business days of the date of notice of the violation. The hearing officer is to provide a written recommendation to the Executive Director who may adopt, modify, or deny the hearing officer's recommendations. The seven member Taxi Commission could overturn the Executive Director's final decision by a two-thirds vote. According to Mr. Owen, taxicab permit holders charged with criminal violations are afforded due process through the Courts, whereas, taxicab permit holders charged with administrative violations would be afforded due process through an administrative proceeding.

- Authorize the Taxi Commission to collect administrative penalties, and authorize the Tax Collector to impose a lien against any real property that the taxicab permit holder may own, if the administrative penalty is unpaid after 30 days of the notice of the violation. Currently, the Superior Court collects the fines for cited infractions and issues a warrant for arrest for unpaid fines. Mr. Owen notes that by statute, the City must split any criminal fines collected for infractions with the State, but the City would retain all of the revenues generated from the collection of administrative penalties.
- Authorize the Executive Director to assess additional fees pertaining to the violations committed by taxicab permit holders in order to recover the costs incurred in enforcing the administrative penalties, including the costs of the Taxi Commission, the Police Department and the Tax Collector. Ms. Little states that the Taxi Commission, the Police Department, and the Tax Collector would have costs associated with the investigation, citation, and collection of the administrative penalties. Ms. Little states that the amount of such costs have not yet been estimated but that the Taxi Commission will work will the Controller's Office to determine the amount of the costs to be charged by the Taxi Commission to those taxicab permit holders who commit violations.

Comments:

1. According to Ms. Little, the intent of the proposed ordinance is to assess administrative penalties on taxicab

permit holders who commit violations of the Taxi Commission's Rules and Regulations, in addition to existing infraction penalties which are assessed for such violations, and to assess a penalty for violations of the full-time driving requirement. Ms. Little advises that the District Attorney, in the past, has not fully prosecuted taxicab permit holders who commit such violations. Ms. Little advises that in FY 2002-2003, the Police Department's Taxi Detail issued 34 citations, totaling $2,525 in fines. As of the writing of this report, Ms. Little does not know how much of the $2,525 of fines were paid.

2. According to Ms. Little, and as described in Attachment I, "The Taxi Commission wants the ability to pursue administrative penalties rather than prosecutions for infractions. As a result, the Commission does not have to rely on the District Attorney's decision whether or not to pursue charges. Administrative penalties would not invoke the full range of criminal justice procedures. Furthermore, it would not stigmatize permitholders with criminal prosecutions. Finally, administrative penalties create a faster resolution of disputes." As previously noted, such penalties would be assessed by the Director of the Taxi Commission instead of assessing the existing fine amounts for infractions set by the Courts.

3. According to Ms. Little, the existing authority of the Taxi Commission to suspend or revoke the permits issued to taxicab holders for violations of the full-time driving requirement is too stringent because such citations impact the taxicab permit holders livelihood. As described in Attachment I to this report, provided by Ms. Little, "when the Commission believes suspension or revocation is harsh, but needs to discipline the taxicab permit holder, the Commission should be able to impose administrative penalties."

Recommendation: Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Harvey M. Rose

cc: Supervisor Peskin
Supervisor Sandoval
Supervisor McGoldrick
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

City and County of San Francisco

Taxi Commission
Mayor Willie L. Brown, Jr.

Naomi M. Little
Executive Director

MEMORANDUM

TO: HARVEY ROSE
BUDGET ANALYST

FROM: NAOMI LITTLE

DATE: JANUARY 14, 2004

SUBJECT: TAXI COMMISSION ADMINISTRATIVE PENALTIES

There are currently 7,500 taxicab drivers, 1,381 taxicab permits, 30 color schemes and 10 dispatch companies. Taxicab permitholders[1] are required to keep their taxicabs in continual operation. A three-layer system exists in San Francisco. When a permitholder is not driving, the permitholder leases his or her medallion to non-medallion drivers through color scheme holders.[2] The permitholder is paid a lease fee by the color scheme, and in turn, the color scheme charges the taxicab driver[3] a gate fee for the use of the vehicle for the day. All meter fare income goes directly to the driver.

The Taxi Commission ("Commission") has pending 105 full-time driving requirement investigations. Additionally, the Commission is performing comprehensive audits of the color schemes and dispatches.

Existing Rules and Regulations, Citation, Enforcement and Fine Collection

Section 1187. Commission Rules and Regulations; Violations; Administrative Penalties.

Currently, under Municipal Police Code § 1185, violations of Article 16 of the Municipal Police Code, which includes Taxi Commission rules and regulations, are chargeable by the District Attorney as an infraction. The Police Department's Taxi Detail issues these citations. In Board of Supervisor Ordinance 106-99, the Board amended the Police Code to make violations of the Taxi Commission's Rules and Regulations an infraction by

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[1] "Permit holders" are also referred as "medallion holders." A medallion holder is any permittee licensed by the City to own and operate a taxicab.
[2] "Color scheme holders" are permittees licensed by the City to operate a taxicab color scheme. The phrase "Color Scheme Holder," "Taxicab Company" and "Taxi Company" may be used interchangeably.
[3] "Taxicab Drivers" are non-medallion holders. A taxicab driver is a permitee licensed by the City to drive on behalf of the medallion holder.

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establishing fines, and outlining the degree of fines levied for violations of the Taxi Commission Rules.

Existing Rules and Under Municipal Police Code § 1090, the Taxi Commission only has the power to suspend or revoke a permit for good cause after a noticed hearing. Good cause includes violating the full-time driving requirement, failure to pay a permit fee, operating without insurance, being convicted of a crime involving moral turpitude, failure to satisfy a judgment for damages arising out of negligent operation, violation of the Municipal Traffic Code or California Vehicle Code, and any other applicable statute, ordinance, rule or regulation pertaining to the licensing of taxi permits.

Currently, for minor violations of the Commission rules, the Commission requires a driver to attend taxi school or the SFPD Taxi Detail gives a verbal or written admonishment.

Role of the SFPD Taxi Detail:

The Police Department oversees criminal enforcement the Taxi Commission Rules and Regulations and the Full-Time Driving Requirements. This includes street enforcement, local or state law violation complaints, and lost property recovery. Street enforcement entails monitoring taxicabs on the street to determine whether the driver is carrying his or her A-card (i.e. driver's permit card), identification badge and to ensure the taxicab is in compliance with the California Vehicle Code, the Municipal Police Code and the Taxicab Commission's Rules and Regulations. The Taxi Detail additionally performs Proposition K, Color Scheme and Dispatch Audits for the Taxi Commission.

For fiscal year 2002-03 the SFPD Taxi Detail issued 34 citations containing a total of 42 violations as follows:

23 violations for $25 = $ 575.00
16 violations for 75 = 1,200.00
3 violations for 250 = 750.00

Total = $2,525.00

This process was not fully operational throughout the entire fiscal year. The Taxi Detail wanted to issue more infraction citations than they were allowed because the Superior Court had not approved all of the infraction penalties for the Taxi Commission Rules & Regulations. Even though the Board of Supervisors and Taxi Commission approved the infraction penalties, the infraction penalties are subject to Superior Court approval.

Also, infraction citations are not forwarded to the DA's office. They are submitted directly to the Superior Courts. They are handled the same as traffic tickets. Cases that would be cited as misdemeanors do go to the DA's office.

Problems with Existing Citation, Enforcement and Fine Collection Procedures

In performing audits each year, the Taxi Commission is finding that color schemes are continuing to violate certain Taxi Commission Rules. Suspension or revocation of a color scheme permit (i.e. taxicab company) is extremely drastic because it not only affects the color scheme, but the numerous drivers and taxicab permit holders that are affiliated with the color scheme. Suspension of a color scheme essentially suspends the taxicab permit holders' permits at that color scheme, regardless if the taxicab permit holders violated any rules. The Taxi Commission needs a vehicle to discipline color scheme permit holders without affecting the medallion holders or drivers.

As explained, currently, for minor violations of the Commission rules, the Commission requires a driver to attend taxi school or the SFPD Taxi Detail gives a verbal or written admonishment. These penalties do not serve as deterrence. It is just the cost of doing business.

Administrative penalties create a process of escalated discipline that begins with fines and leads all the way up to revocation. By way of history, most permitholders believe that the San Francisco Board of Appeals will overturn Taxi Commission revocation of permit decisions for failure to comply with the full-time driving requirement. The Board of Appeals has criticized the Taxi Commission for immediately suspending or revoking a permit for failure to comply with the full-time driving requirement after the first offense. They believe this measure is extreme. More likely than not, the Board of Appeals will start upholding the Taxi Commission revocation decisions, if the Commission penalized the permitholder on an progressive scale: i.e. an administrative fine for the first offense; suspension for the second offense; and revocation for the third offense.

Additionally, suspending or revoking a permit because a permitholder fell short of the fulltime-driving requirement by a few shifts; or violated the Commission rule of possessing and issuing comment cards is a drastic measure. When the Commission believes suspension or revocation is harsh, but needs to discipline the permitholder, the Commission should be able to impose administrative penalties.

Proposed New Administrative Penalties

The Commission believes administrative penalties will encourage all permitholders to comply with Commission rules. Permitholders will take their chances that if they appeal the Commission's revocation decision to the Board of Appeals, the Board will overturn the Taxi Commission's decision.

Fines for violating the full-time driving requirement will not exceed 1.5 times any lease fee collected by the permitholder during the period that he or she did not meet the full-time driving requirement. For example, if the permitholder lease fee is \$1,800[4], then the fine could be up to \$2,700. In imposing the fine, the Executive Director can take into account whether the permitholder had previous violations, whether there was willful concealment and/or misrepresentations to the Taxi Commission, or mitigating circumstances. I guarantee, no permitholder wants to pay a fine of $2,700.

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[4] In December 1998, Police Code 1135.2 set a lease fee cap of \$1,800/month. However, in December 2000, the provision expired. Currently, the lease fee is set by market demands.

In imposing administrative penalties, which the proposed ordinance would establish, the Commission would like to use the same infraction fine schedule. The Taxi Commission wants the ability to pursue administrative penalties rather than prosecutions for infractions. As a result, the Commission does not have to rely on the District Attorney's decision whether or not to pursue charges. Administrative penalties would not invoke the full range of criminal justice procedures (with their attendant costs and burdening the courts). Furthermore, it would not stigmatize permitholders with criminal prosecutions. Finally, administrative penalties create a faster resolution of disputes.

Taxi Commission Hearing Procedures

Beginning in July 2003, the Taxi Commission established a hearing officer to hear all disciplinary cases that were brought before the Taxi Commission. To protect the rights of all the taxi permitholders, the Hearing Officer is not an employee of the Taxi Commission, but a Department of Parking and Traffic Hearing Officer. These disciplinary hearings are heard on the first Friday of every month. The Hearing Officer conducts the hearing, and makes a recommended decision. The Executive Director of the Taxi Commission, who can adopt, modify, or deny such recommendation and prepare a final decision on the matter, automatically reviews the proposed decision. The Executive Director places the final decision on the Taxi Commission's consent calendar for the next scheduled meeting. The Taxi Commission may only modify or overturn the Executive Director's decision by a two-thirds' vote. The Taxi Commission's decision is appealable to the Board of Appeals.

Any time the Taxi Commission grant, denies, suspends or revokes a permit, the matter may be appealed to the San Francisco Board of Appeals within 15 days of the Taxi Commission decision pursuant to Charter 4.106.

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BOARD of SUPERVISORS

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NOTICE OF CANCELLED MEETING

FINANCE AND AUDITS COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

NOTICE IS HEREBY GIVEN that the meeting of the Finance and Audits Committee scheduled for Wednesday, February 25, 2004 at 12:30 p.m., at 1 Dr. Carlton B. Goodlett Place, Room 263, City Hall, San Francisco, California, has been **cancelled**.

Gloria L. Young, Clerk of the Board

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